

1977 Annual Report of the Comptroller General of the United States



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United States General Accounting Office

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ANNUAL REPORT 1977

COMPTROLLER GENERAL
OF THE UNITED STATES



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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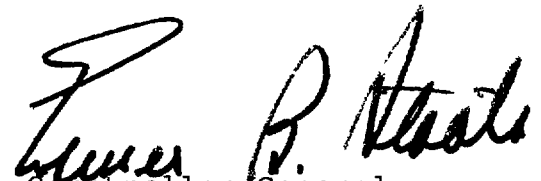
May 15, 1978

President of the Senate
Speaker of the House of Representatives

Dear Sirs:

In accordance with section 312(a) of the Budget and Accounting Act of 1921, I respectfully submit the annual report on the activities of the United States General Accounting Office during the fiscal year ended September 30, 1977.

Mr. Ellsworth H. Morse, Jr., Assistant Comptroller General, died suddenly on November 29, 1977. Mr. Morse, who was with the General Accounting Office for over 30 years, made many outstanding contributions to better financial management in both the public and private sectors during his career. In recent years, his responsibilities covered the areas of policy and program planning for the General Accounting Office. He also had responsibility for the annual report and had worked on most of this report before his death.


Comptroller General
of the United States

The General Accounting Office is under the control and direction of the Comptroller General of the United States. There is also a Deputy Comptroller General of the United States¹ who performs such duties as may be assigned to him by the Comptroller General and who acts as Comptroller General during the absence or incapacity of the Comptroller General or during a vacancy in that office. The Comptroller General and the Deputy Comptroller General are appointed by the President with the advice and consent of the Senate for terms of 15 years.

**Comptrollers General
of the United States** John R. McCarl
July 1, 1921—June 30, 1936
Fred H. Brown
April 11, 1939—June 19, 1940
Lindsay C. Warren
November 1, 1940—April 30, 1954
Joseph Campbell
December 14, 1954—July 31, 1965
Elmer B. Staats
March 8, 1966—

**Assistant Comptrollers General
of the United States** Lurtin R. Ginn
July 1, 1921—November 11, 1930
Richard N. Elliott
March 9, 1931—April 30, 1943
Frank L. Yates
May 1, 1943—June 29, 1953
Frank H. Weitzel
October 12, 1953—January 17, 1969

**Deputy Comptrollers General
of the United States** Robert F. Keller
October 3, 1969—

¹ Public Law 92-51 (approved July 9, 1971) changed the title Assistant Comptroller General to Deputy Comptroller General.

CONTENTS

CHAPTER ONE—Highlights of Activities

Direct assistance to the Congress	1
Legal services and decisions	4
Auditing	4
Settlement of claims	7
Financial management improvement	7
Savings and other accomplishments	7
Operating expenses	8
Staffing	8
Participation in boards, councils, and commissions	8

CHAPTER TWO—Legislative Recommendations

Legislative recommendations acted on by the Congress during the fiscal year ended September 30, 1977	9
Open legislative recommendations made during the fiscal year ended September 30, 1977	15
Open legislative recommendations from prior years	22

CHAPTER THREE—Financial Savings and Other Benefits

Collections	28
Other measurable financial savings	28
Additional financial savings not fully or readily measurable	34
Other benefits	37

CHAPTER FOUR—Legal Services

General government matters	45
Procurement law	46
Personnel law	47
Transportation law	48
Special studies and analysis	49
Legal information and reference service	49

CHAPTER FIVE—Financial and General Management Studies

Responsibilities	51
Approval of agency accounting systems	51
Automatic data processing	56
Technical assistance services	56
Audit standards	57
National productivity	58
Securities and Exchange Commission	59
Joint Financial Management Improvement Program	59

CHAPTER SIX—Energy and Materials

Responsibilities 60
 Energy 60
 Materials 67

CHAPTER SEVEN—Program Analysis

Responsibilities 69
 Program and economic analysis 69
 Program information 73
 Program evaluation 75

CHAPTER EIGHT—Logistics and Communications

Responsibilities 79
 Reports 79
 Communications 79
 Data processing 81
 Federal information management 82
 Distribution management 82
 Acquiring and managing facilities 84
 Maintenance 86
 Productivity improvement 87
 Readiness 87
 Requirements 89
 Foreign weapon systems 89
 Interagency use of resources 90

CHAPTER NINE—Procurement and Systems Acquisition

Responsibilities 91
 Importance of science and technology 91
 Volume of Federal procurement 91
 Magnitude of systems acquisition 91
 Audit reports. 92
 Science and technology 92
 General procurement 97
 Major acquisitions 100

CHAPTER TEN—Federal Personnel and Compensation

Responsibilities 105
 Size and cost of the Federal work force 105
 Assistance to the Congress 105
 Audit reports. 105
 Employee compensation, retirement, and insurance 106
 Financial disclosure 108
 Training and education 109
 Personnel requirements and controls 111
 Management of organizations 112

Equal employment opportunity	112
Military justice	113
Labor-management relations	114
Employee travel	114
Other	115
Audits in process	117

CHAPTER ELEVEN—Human Resources

Responsibilities	118
Audit reports.	118
Assistance to the Congress	118
Department of Health, Education, and Welfare	120
Veterans Administration	128
Other Government Health Programs	129
Department of Labor	130

CHAPTER TWELVE—Community and Economic Development

Responsibilities	134
Audit reports.	134
Assistance to the Congress	134
GAO work on food	134
Government-wide and multiagency activities	135
Department of Agriculture	137
Department of the Army, Corps of Engineers (Civil Functions)	139
Department of Commerce	140
Department of Housing and Urban Development	141
Department of the Interior	143
Department of Transportation	144
Civil Aeronautics Board	146
Environmental Protection Agency	146
Federal Communications Commission	148
Interstate Commerce Commission	148
National Railroad Passenger Corporation	149

CHAPTER THIRTEEN—General Government Operations

Responsibilities	151
Audit reports.	151
Department of Justice	153
Department of the Treasury	155
Federal Financing Bank	159
District of Columbia Government	160
Smithsonian Institution	161
United States Postal Service	161
Federal Reports Act.	162
Government statistics programs	163
Intergovernmental relations	164
Legislative branch	164

CHAPTER FOURTEEN—International Operations

Responsibilities	166
International trade and finance	167
Multilateral development assistance	169
Bilateral development assistance	170
Security-supporting assistance	172
International security commitments abroad and support for other nations	173
Nuclear nonproliferation and other arms controls	174
Conduct of foreign affairs	175
U.S. public diplomacy	176

CHAPTER FIFTEEN—Claims Settlement and Adjudication

Responsibilities	177
Debt claims	177
Payment claims	178
Agency reviews and assistance	180
Special projects	181

CHAPTER SIXTEEN—Field Operations

Responsibilities	183
Audits of Federal corporations and other activities	183
Audits of military pay and allowances	185

CHAPTER SEVENTEEN—Administration

Management services	186
Equal Employment Opportunity Office	191
Policy, program planning, and internal review	191
Information Office	192

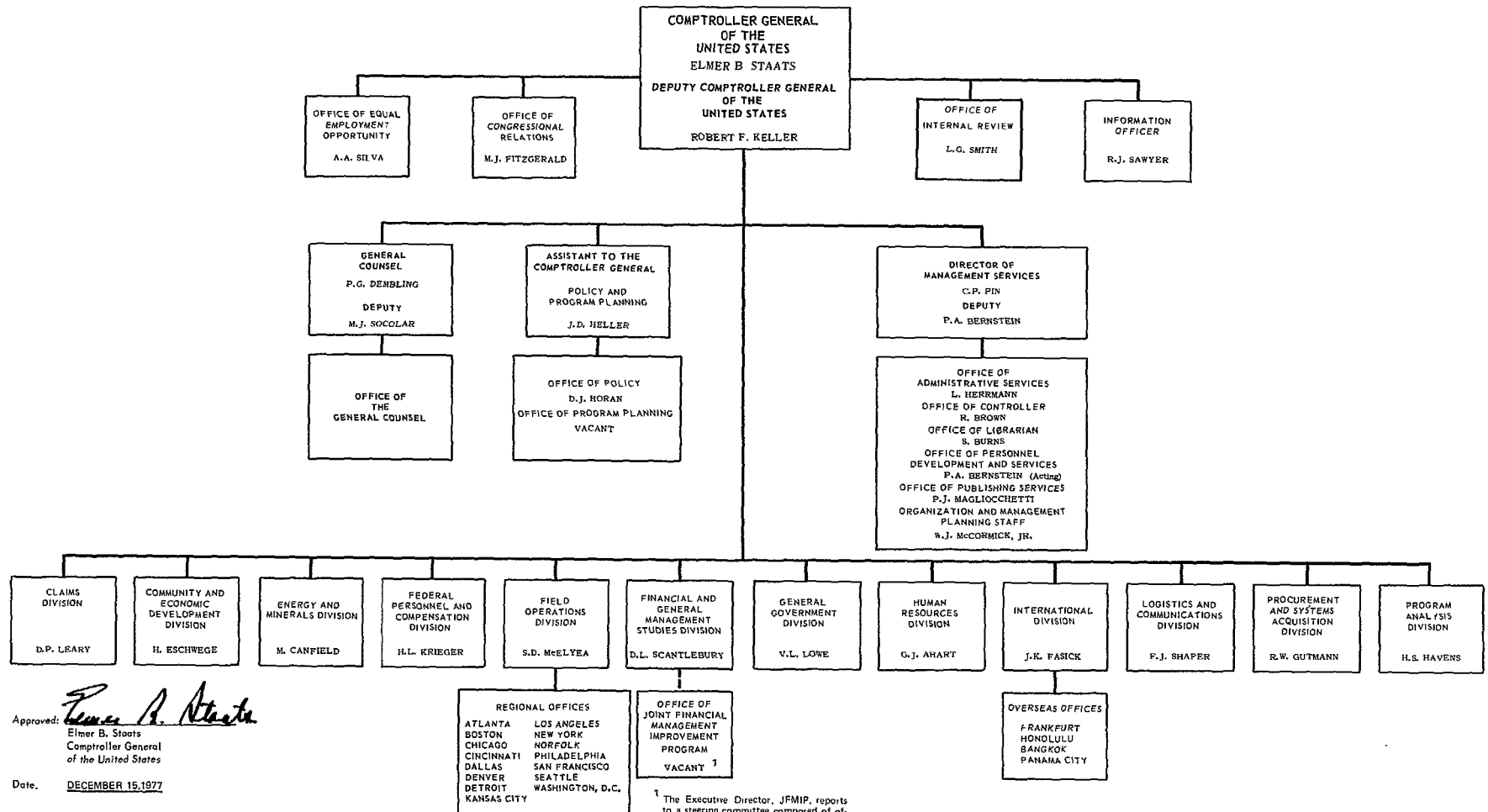
APPENDIXES

Appendix 1 —Number of audit reports issued during fiscal year 1977	193
Appendix 2 —Audit reports issued during fiscal year 1977	194
Appendix 3 —Legislation enacted during fiscal year 1977	276
Appendix 4 —Summary of assignments of personnel to congressional committees, fiscal year 1977	283
Appendix 5 —Claims statistics and transportation statistics	287
Appendix 6 —Financial statements of the General Accounting Office	288
Appendix 7 —Directory of GAO regional offices and foreign branches, December 1977	293

Abbreviations

AFDC	aid to families with dependent children
AID	Agency for International Development
AMTRAK	National Railroad Passenger Corporation
CHAMPUS	civilian health and medical program of the uniformed services
CSC	Civil Service Commission
DOD	Department of Defense
EEO	Equal Employment Opportunity
EMS	Emergency Medical Services
EPA	Environmental Protection Agency
ESD	Electronic Systems Division
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEGLI	Federal Employees Group Life Insurance
FPC	Federal Power Commission
GAO	General Accounting Office
GSA	General Services Administration
HEW	Health, Education, and Welfare
HUD	Housing and Urban Development
IRS	Internal Revenue Service
LMFBR	liquid metal fast breeder reactor
MESA	Mining Enforcement and Safety Administration
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
NBS	National Bureau of Standards
OFCCP	Office of Federal Contract Compliance Programs
OMB	Office of Management and Budget
ROTC	Reserve Officer Training Corps
SEC	Securities and Exchange Commission
VA	Veterans Administration

UNITED STATES GENERAL ACCOUNTING OFFICE



Approved: *Elmer B. Staats*
Elmer B. Staats
Comptroller General
of the United States

Date: DECEMBER 15, 1977

¹ The Executive Director, JFMIP, reports to a steering committee composed of officials of GAO, OMB Treasury, and CSC. The Director, FGMS, is a steering committee member.

CHAPTER ONE

HIGHLIGHTS OF ACTIVITIES

This report summarizes the work of the General Accounting Office during fiscal year 1977, its 56th year of operation. GAO is frequently called an independent oversight agency of the Congress, the investigative arm of the Congress, or Congress' watchdog over Federal spending, because of its broad charter and its authority to investigate the receipt, disbursement, and application of public funds and to recommend ways to make government more effective, efficient, and economical.

The Office was established by the Budget and Accounting Act, 1921, to strengthen congressional control over the public purse. The Congress recognized that our form of government, with its separation of powers and its checks and balances, needed an audit organization that would provide unbiased information about executive branch activities. Thus, the General Accounting Office, headed by the Comptroller General of the United States, was established as an independent, nonpartisan agency in the legislative branch of the Federal Government.

Today GAO is made up of over 5,000 people with diverse backgrounds and experience, dedicated to

- assisting the Congress in its legislative and oversight activities,
- providing legal services,
- auditing Federal agencies' programs, activities, and financial operations,
- helping Federal agencies to improve their financial management systems, and
- settling claims and collecting debts.

Direct Assistance to the Congress

One of our major objectives is to render maximum assistance to the Congress, its committees, and its Members. We therefore direct our staff resources to developing information that will be useful to the Congress and contribute to better government.

We maintain close, continuous contact with congressional committees, so we can communicate information that is relevant, timely, and useful. Frequently, we participate in congressional hearings on the programs and activities we review. The results of our major audits and special studies are usually summarized in written reports.

During the fiscal year, we completed 1,082 reports on audits or special studies. About 71 percent of these were submitted directly to the Congress or to its committees and Members. In addition, copies of many reports addressed to Federal agency officials were provided to interested committees and Members.

Statistics on the number of reports completed do not begin to tell the full story of GAO audit operations, but they do provide one indicator of the amount of work done. A summary of the number of reports completed in fiscal year 1977 follows. All reports issued in fiscal year 1977 are listed in appendix 2.

	<i>18-month period ended Sept. 30, 1976¹</i>	<i>Fiscal year ended Sept. 30, 1977</i>
Congressional reports:		
To the Congress	199	330
To congressional committees	178	265
To Members of Congress	255	174
	<hr/> 632	<hr/> 769
Reports to Federal agency officials	411	313
Total	<hr/> 1,043	<hr/> 1,082

¹ The fiscal year ended June 30, 1976, plus the 3-month transitional period provided by the Congressional Budget and Impoundment Control Act of 1974, to allow for the change in the Federal Government's fiscal year.

HIGHLIGHTS OF ACTIVITIES

Many of these reports recommend congressional or agency actions that we consider necessary to correct problems or improve Federal programs and activities. Our most important recommendations are summarized in annual publications. Chapter 2 of this report presents legislative recommendations that the Congress acted on this year, along with those on which final action had not been taken.

A separate annual report is sent to chairmen and ranking minority members of committees before each session of Congress, to help them with their legislative and oversight responsibilities. It summarizes recommendations for new legislation or amendments to existing statutes, and highlights specific matters for congressional consideration on which the desired actions have not been completed. (OCR-78-1003, Dec. 5, 1977.)

Two other special annual reports—one on civil agencies (HRD-78-23, Jan. 26, 1978) and the other on defense (PSAD-78-46, Jan. 24, 1978)—highlight matters that deserve special congressional attention. These reports summarize important GAO conclusions and recommendations on which satisfactory administrative actions have not been taken and which should be considered during the appropriation process.

Also, as required by the Legislative Reorganization Act of 1970, we send the *Monthly List of GAO Reports* to every committee and Member. The list briefly summarizes reports released each month, to make it easier to identify and request reports of interest. These lists are also published in the *Congressional Record*.

Reports are only one of GAO's many services to the Congress. For example, our professional staff at the Capitol audits House and Senate financial operations, the Library of Congress, and private organizations doing business on the Capitol grounds, and it advises committees, officers, and Members of Congress.

Other ways that we directly assist the Congress include

- answering committee and Member requests for audits or special studies,
- testifying at congressional hearings,
- assigning staff to congressional committees,
- providing legal and legislative advice,
- assisting with budgetary matters, and
- keeping in close contact with congressional committees and Members.

In fiscal year 1977, our professional staff spent over 35 percent of its time providing these special services.

Committee and Member Requests

Our responsibility to respond to the specific requests of committees and Members was established in the

1921 act and emphasized by the Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974.

Many of the requests we receive from committees and Members of Congress concern information needed in both their legislative and oversight roles. Others involve controversial matters affecting congressional districts and States. When requested work is of general interest, we often broaden our scope to cover the needs of others. Of course, such changes in scope are discussed with the committees or Members involved, so that our reports are not delayed to the point of reducing their value to the requestor.

Nearly every committee and subcommittee in both Houses of Congress has asked us for information and assistance. In fiscal year 1977, we received 748 requests from committees for specific work—an 11-percent increase over last year—and 772 requests from Members, a 19-percent decrease.

Table 1 lists the various committees for which written reports were completed; some reports were addressed to more than one committee. The numbers of reports issued to committees and to Members are shown in appendix 1. In addition, many requests for assistance were satisfied by talking with the requestors and their representatives, by informally furnishing information, correspondence, or by testifying before committees.

Table 1

	<i>Number of reports</i>
Senate Committees:	
Aging	4
Agriculture, Nutrition and Forestry	2
Appropriations	45
Armed Services	9
Banking, Housing, and Urban Affairs	5
Budget	1
Commerce, Science, and Transportation	6
Energy and Natural Resources	7
Environment and Public Works	2
Finance	3
Foreign Relations	5
Governmental Affairs	15
Human Resources	15
Judiciary	2
Nutrition and Human Needs	1
Rules and Administration	2
Veterans' Affairs	2
Total	126

	<i>Number of reports</i>
House Committees:	
Administrative Review (Commission)	1
Aging	1
Agriculture	1
Appropriations	22
Armed Services	13
Banking, Finance and Urban Affairs	11
Budget	3
Education and Labor	5
Government Operations	25
House Administration	1
House Beauty Shop	1
Interior and Insular Affairs	5
International Relations	8
Interstate and Foreign Commerce	27
Judiciary	3
Merchant Marine and Fisheries	4
Post Office and Civil Service	12
Public Works and Transportation	4
Science and Technology	8
Small Business	4
Ways and Means	6
	<hr/>
Total	165
	<hr/>
Joint Committees:	
Arrangements for Commemoration of the Bicen- tennial	1
Atomic Energy	2
Defense Production	2
Economic	1
Taxation	12
Printing	1
	<hr/>
Total	19
	<hr/>
Officers of the Congress	8
	<hr/>
Total Committees and Officers	318
	<hr/> <hr/>

We also responded to 630 Member requests concerning claims by and against the U.S. Government. The claims involved such subjects as Government contracts, employee pay and allowances, and travel and transportation.

Testimony, Briefings, and Conferences

We are frequently asked to testify at congressional hearings on our current and past work, pending legislation, or other matters in which GAO has expertise. This year the Comptroller General and his top officials testified 111 times.

Our professional staff briefs congressional committees, Members of Congress, and their staffs on the results of our ongoing audits and provides committees with questions to use during hearings on Government agencies and programs. We have found testimony, briefings, and conferences to be quick and effective ways of informing the Congress of our work.

Staff Assignments to Committees

On request 102 GAO staff members were assigned to the staffs of 25 committees and subcommittees. (App. 4 shows the additional information required by the Legislative Reorganization Act of 1970.)

Legal Opinions and Comments on Pending Legislation

Committees and Members frequently ask for formal and informal legal opinions, advice, and assistance; our attitudes on contractual, fiscal, and administrative provisions of law; drafts of or revisions to legislation; and our views on administrative regulations.

Our ongoing reviews of Government programs, coupled with our expertise in law and the Federal legislative process, allow us to give congressional committees objective comments on proposed legislation. During the fiscal year, we provided 302 reports on pending bills—92 to the Senate, 197 to the House, 4 to joint committees, and 9 to miscellaneous units. Table 2 shows the number of reports by committee.

Budgetary Assistance

The Congressional Budget and Impoundment Control Act assigned the Comptroller General many new responsibilities to help the Congress deal with the Federal budget. We work closely with House and Senate committees, individual Members, and the Congressional Budget Office in fiscal, budgetary, and program-related matters, and in program reviews and evaluations. Our work under the act is discussed more fully in chapter 7.

We also review and report to the Congress the facts surrounding each proposed rescission or deferral of budget authority. In 1977, we reviewed the legality and impact of 17 Presidential messages (covering 64 deferrals and 20 rescissions) proposing to reduce budgetary outlays below levels set by the Congress. We also identified five deferrals and one rescission that the President did not report. (See p. 49.)

HIGHLIGHTS OF ACTIVITIES

Table 2

Senate Committees:	
Aeronautical and Space Sciences	2
Agriculture and Forestry	1
Appropriations	3
Commerce and Science Transportation	1
Energy and Natural Resources	4
Governmental Affairs	58
Human Resources	10
Judiciary	1
Post Office and Civil Service	6
Rules and Administration	6
Total	92
House Committees:	
Appropriations	1
Armed Services	3
Banking and Finance	2
District of Columbia	2
Government Operations	70
Interstate and Foreign Commerce	10
Judiciary	28
Merchant Marine and Fisheries	31
Post Office and Civil Service	23
Public Works and Transportation	2
Science and Technology	22
Small Business	1
Ways and Means	2
Total	197
Joint Committee on Atomic Energy	4
Miscellaneous units	9
Total	302

Liaison Activities

Our Office of Congressional Relations is the point where assistance to the Congress is coordinated. Under the supervision of the Deputy Comptroller General, Robert F. Keller, this office maintains continuous contact with congressional committees and Members of Congress. Martin J. Fitzgerald became Director in March 1977, when Smith Blair, Jr., retired after 34 years of Government service.

Legal Services and Decisions

Our legal work, covering the full range of Government activities, serves

- congressional committees and Members of Congress,
- the Office of Management and Budget,
- the heads of departments and agencies and their

disbursing and certifying officers who need to know the legality and propriety of proposed expenditures of Federal funds,

- contracting and procurement officers and bidders who need information on Government contracting law,
- individuals and firms whose claims have been denied by our Claims Division, and
- GAO auditors in their reviews of agency programs and activities.

The Comptroller General's legal decisions are binding on the executive branch. Payments contrary to them may be disallowed. Private firms and individuals have further recourse to the courts in most instances.

During the fiscal year, our Office of the General Counsel completed 5,571 separate legal matters. Further information on our legal work can be found in chapter 4.

Auditing

We view our self-initiated audits of ongoing Federal programs and activities as a major responsibility. Our objective is constructive—to help the Congress and agency officials improve Government operations. We examine Federal departments and agencies and their contractors and grantees to

- evaluate the legality, efficiency, economy, and effectiveness with which they carry out their financial, management, and program responsibilities and
- provide the Congress and agency officials with objective information, conclusions, and recommendations.



Deputy Comptroller General Robert Keller (seated) with past and present directors of the Office of Congressional Relations. From left to right: Smith Blair; Lawrence J. Powers, former Assistant to the Comptroller General (retired May 1971); L. Fred Thompson, former director of the Office of Federal Elections (retired June 1974); and Martin J. Fitzgerald.

These audits involved over half of our professional staff working in almost every Federal agency in the United States, 2 U.S. territories (Guam and the Trust Territory of the Pacific Islands), and 62 other countries.

During fiscal year 1977, we made 937 surveys and 1,849 reviews of Government programs and activities. Table 3 shows the broad functional categories of these audit assignments. Much of this work will be completed during fiscal year 1978.

Table 3

	<i>Surveys</i>	<i>Reviews</i>
Domestic programs:		
Energy and minerals	82	96
Community and economic development	171	242
Human resources	145	317
General government	83	198
General management:		
Procurement and systems acquisition	99	289
Logistics and communications	138	238
Federal personnel and compensation	54	106
Financial and general management	81	199
International programs	53	111
Program analysis	25	53
Total	937	1,849

Over the past several years, we have been improving GAO's organization and planning to more effectively consider national issues and key management problems.

Five years ago, we reorganized in a move toward greater program and functional specialization. We have refined our organization since then, but it still reflects our philosophy of assigning Government-wide responsibility for particular programs and functions to individual operating divisions while retaining responsibility for specific agencies within these same divisions.

This approach has been proven useful in looking at interagency and Government-wide issues. It enables us to identify duplication of effort among agencies, inadequate coordination arrangements, conflicting approaches to similar goals, inadequately defined objectives, obsolete programs, and so forth. It has also helped develop program and functional expertise among GAO staff members.

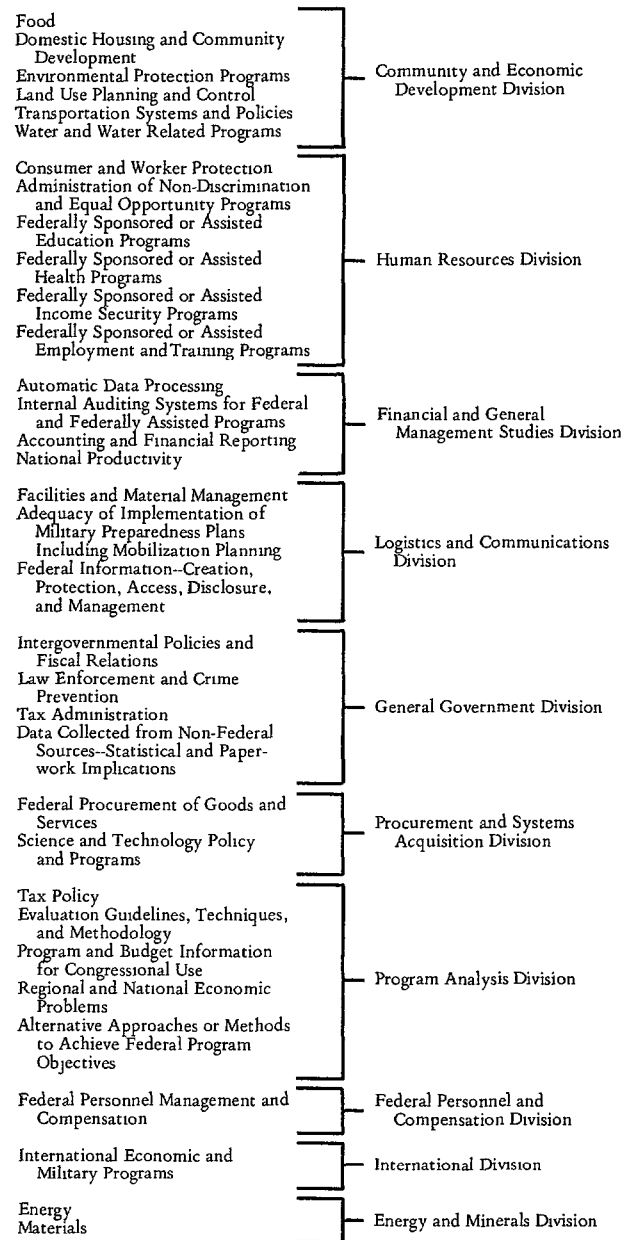
To help focus this expertise on important national issues, our Program Planning Committee, chaired by the Comptroller General, specified 34 major Federal programs or issue areas for priority attention. Each is-

sue area is assigned to a "lead division" responsible for identifying specific matters to be examined, for developing plans, and for formulating approaches, whether or not it has direct audit responsibility for all the agencies involved in the area.

Audits of Bank Regulatory Agencies

At the request of several congressional committees we evaluated the bank supervision activities of the Fed-

TABLE 4
GAO ISSUE AREAS AND RESPONSIBLE LEAD DIVISIONS



HIGHLIGHTS OF ACTIVITIES

eral Deposit Insurance Corporation, the Federal Reserve System, and the Office of the Comptroller of the Currency. Although our access to bank examination records at the Corporation had long been contested and we did not have audit authority at the other two agencies, the agencies gave us access to pertinent records when we agreed not to disclose information about specific banks, officers, or customers. We evaluated the agencies' bank examination functions and their efforts to get banks to correct the problems examiners identified. Several recommendations for improvements were made to the Congress and the agencies. (OCG-77-1 and OCG-77-1a, Jan. 31, 1977.)

The proposed Federal Banking Agency Audit Act would grant GAO authority to audit (1) the Federal Reserve Board; its banks and branches; and its check clearing, wire transfer, and security facilities, (2) the Federal Deposit Insurance Corporation, and (3) the Office of the Comptroller of the Currency. It would specify our audit authority and our access to records needed to effectively review these agencies' operations. The House of Representatives passed the bill (H.R. 2176) on October 14, 1977, and the Senate Committee on Governmental Affairs held hearings on November 29, 1977, at which we testified. In view of the very important part that these three agencies play in the Nation's system of money and credit, we urged passage of this legislation. With the authority it would grant, we could be more helpful to the Congress in its legislative and oversight responsibilities for bank insurance and regulation.

Impact of New Legislation

We must constantly adjust our work programs or increase our capabilities to meet responsibilities added by the Congress. Appendix 3 shows the legislation enacted in fiscal year 1977 that directly relates to our

work. Some laws direct the Comptroller General to audit specific programs or activities. For example:

- *The United States Grain Standards Act of 1976 (October 21, 1976)* established a Federal Grain Inspection Service within the Department of Agriculture. It provides that during its first 2 years, the Service, the Department of Agriculture's Office of Investigation, and GAO thoroughly evaluate inspection at interior locations, identify any needed reforms, and report to the House and Senate Agriculture Committees. GAO is to review the conclusions reached by the two other study groups.
- *Public Law 94-519 (October 17, 1976, 90 Stat. 2451)* amended the Federal Property and Administrative Services Act of 1949 to permit the donation of Federal surplus personal property to States and local organizations for public purposes.

Within 2½ years after the effective date of the act, and biennially thereafter, the Comptroller General must report to the Congress (1) a full evaluation of operations under the act, (2) the extent to which its objectives have been fulfilled, (3) how the needs served by earlier Federal personal property programs have been met, (4) the degree to which the distribution of surplus property has met the needs of the various public agencies and other eligible institutions, and (5) any recommendations he finds desirable.

Other laws expand our audit authority by granting access to records needed to carry out our regular audit responsibilities.

- *Public Law 95-125 (October 7, 1977)* amends the Accounting and Auditing Act of 1950 to grant specific access to tax records of the Internal



Task Force members and supporting staff who participated in GAO's first comprehensive review of the effectiveness of bank supervision by the Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation.

Revenue Service and the Bureau of Alcohol, Tobacco, and Firearms. The amendment spells out stringent provisions for guarding the confidentiality of tax return information. This law resolved the long debate over the extent of our authority to review the activities of the tax collection agencies.

- *The Department of Energy Organization Act (Aug. 4, 1977)* reorganized the Federal Government's energy functions to promote an effective and coordinated national energy policy. The law gives GAO a specific mandate to continuously monitor, evaluate, and report on the policies, plans, and programs of the Department of Energy. The benefit of this provision is that GAO's access to data is greatly enhanced and, as a result, reporting time frames can be shortened. It will also be useful in initiating work at the very inception of a program, which in the past has encountered agency resistance.
- *The Health Professions Educational Assistance Act of 1976 (Oct. 12, 1976)* gives GAO access to records of recipients of grants, loans, loan guarantees or interest subsidies from the Secretary of Health, Education, and Welfare for constructing health research facilities.

Also important over the long run is legislation which creates or expands Federal programs. We will need to audit them as we do other programs. Following are a few examples:

- *Surface Mining Control and Reclamation Act of 1977* imposes Federal regulation on strip mining of coal in all parts of the country. GAO will review implementation and enforcement of this legislation.
- *Community Emergency Drought Relief Act of 1977 (May 23, 1977)* authorizes grants and loans for short-term projects to augment community water supplies and promote water conservation in drought areas.
- *The 1977 Amendments to the Clean Air Act (Aug. 7, 1977)* give the Environmental Protection Agency additional authorities and responsibilities for making coal a major energy source, tightening controls over automobile emissions, and considering opportunities for saving fuel at the expense of the environment.
- *The Youth Employment and Innovative Demonstration Project Act (Aug. 5, 1977)* establishes four programs to provide job opportunities for youths in their own or other communities or with State and Federal Government agencies. Fiscal year 1978 funding for these programs is \$1.5 billion.

Settlement of Claims

Claims against the United States are referred to us for settlement because of statutory requirements or because they involve questions of law or fact. In fiscal year 1977, we settled 6,913 claims for \$165.6 million.

During the same period we

- disposed of 46,698 debt claims and collected over \$8 million and
- granted 1,124 full or partial waivers of repayment of erroneous pay and allowances, out of 1,599 requests—a total of \$1.5 million out of \$2.3 million.

Further information on the activities of the Claims Division can be found in chapter 15.

Financial Management Improvement

The Budget and Accounting Act of 1950 established basic financial management responsibilities in the Federal Government. The act charges us with

- prescribing principles and standards to guide executive agencies in accounting,
- cooperating with agencies in improving their accounting and financial management systems, and
- approving agencies' principles and standards and accounting system designs.

During the fiscal year we approved accounting principles and standards for 7 systems in 5 agencies, plus designs for 21 systems at other agencies. By the end of the year, principles and standards for 98 percent of 338 systems and 60 percent of 330 designs had been approved. Chapter 5 gives further information on this work.

The Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission cooperate in the Joint Financial Management Improvement Program. This program was forged by the 1950 act as a means of improving financial management practices throughout the Federal Government. The program's progress is reported annually for the information of the Congress, all Federal agencies, and the public. (See ch. 5.)

Savings and Other Accomplishments

Since one of our major objectives is to stimulate improvements in Government operations, we keep a

HIGHLIGHTS OF ACTIVITIES

record of actions attributable to our work which result in dollar savings or other benefits to the Federal Government, contractors, grantees, and the general public. These actions may be taken directly by GAO, as in the case of claims collections. More commonly, however, they are taken by the Congress, Federal agencies, and others, following our suggestions and recommendations.

This year we identified estimated savings of \$5.7 billion attributable to our work; however, many of our accomplishments cannot be stated in dollar terms. Savings resulting from management improvements cannot be accurately measured, nor can improvements which make programs work better but not cheaper. These improvements are often more important than actual financial savings.

Although they do not measure the full impact of GAO's activities, examples of the savings and other benefits from our work are presented in chapter 3.

Operating Expenses

The fiscal year 1977 appropriation for operating our Office was \$157.1 million. Total operating expenses for the period were \$155.1 million, about 81 percent for salaries and other personnel costs.

Financial statements, showing our assets and liabilities, operating expenses, and other data, are presented in appendix 6.

Staffing

As of September 30, 1977, we had 5,332 employees, a slight decrease from last year. Of these, 4,085, or about 77 percent, were members of our professional staff.

Over the past 10 years, we have striven to expand GAO's expertise to evaluate increasingly complex Government programs. At the end of fiscal year 1967, we had only 10 professional staff members with backgrounds other than accounting, auditing, and law. Such

employees now make up 36 percent of our staff. The table on page 187 summarizes our staff's education and experience backgrounds.

Our equal employment profile continued to improve as we hired, trained, and promoted minorities and women, who now comprise 35 percent of our work force. These groups' gains were particularly noticeable in our midlevel professional grades. (See p. 191 for more information.)

Participation in Boards, Councils, and Commissions

In addition to increasing the variety and complexity of our accounting and auditing responsibilities, Federal statutes setting up special commissions or councils may name the Comptroller General as a member. These assignments are important but time consuming, as they require his personal attention and his staff's support.

For example, Public Law 95-46 (June 15, 1977, 91 Stat. 225) designated the Comptroller General as a member of the task force to review the management, organization, and operations of the construction of distribution systems and drains on the San Luis unit, Central Valley project, California. The task force was to report to the Chairmen of the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources no later than January 1, 1978. Continuing groups the Comptroller General serves on (with the authorizing legislation) are

- the Advisory Council for the Office of Technology Assessment (P.L. 92-484, Dec. 13, 1972, 86 Stat. 800),
- the National Commission on Electronic Fund Transfers (P.L. 93-495, Oct. 28, 1974, 88 Stat. 1508), and
- the Commission on Federal Paperwork (P.L. 93-556, Dec. 27, 1974, 88 Stat. 1790).

Also the Comptroller General chairs the Cost Accounting Standards Board, as required by Public Law 91-379, Aug. 15, 1970, 84 Stat. 796.

CHAPTER TWO

LEGISLATIVE RECOMMENDATIONS

The Budget and Accounting Act, 1921, requires GAO to make recommendations to the Congress “looking to greater economy and efficiency in public expenditures” and report such recommendations at the beginning of each congressional session or in special reports at any time. When an audit shows that corrective legislative action is required or desirable, the report includes a proposal for legislative consideration by the Congress or a recommendation to the affected agency to sponsor a legislative proposal.

We also report to the Congress early in each session, summarizing the status of all open GAO recommendations for legislative action. This report is sent to the chairmen and ranking minority members of the cognizant committees to assist in their oversight responsibilities. (See “Summary of Open GAO Recommendations for Legislative Action as of September 30, 1977,” OCR-78-1003, December 1977.)

This chapter summarizes the legislative recommendations acted on by the Congress during the fiscal year ended September 30, 1977, and lists all open legislative recommendations, made during this period and in prior years, which we still recommend to the attention of the Congress.

Legislative Recommendations Acted on by the Congress During the Fiscal Year Ended September 30, 1977

Agriculture and Rural Development

More Effective Method for Controlling Peanut Production—Over the years, the Commodity Credit Cor-

poration’s peanut price-support program has been costly. In May 1968, we reported to the Congress that, from 1955 through 1966, the Corporation had to dispose of increasing quantities of surplus peanuts at a loss of about \$270 million. In April 1973, we reported that, from 1967 through 1971, the Corporation lost about \$280 million. Projections developed by the Department of Agriculture indicated that losses would continue.

In our 1968 report, we proposed that the law be changed to permit peanut production to be controlled by pounds instead of acres. In our 1973 report, we pointed out that fewer than 1.6 million acres—the minimum national acreage allotment set by law—were needed to adequately supply peanuts, and we recommended removing the minimum acreage provision.

The Food and Agriculture Act of 1977 provides a poundage quota system to more effectively control peanut production. (B-163484, May 8, 1968, and Apr. 13, 1973.)

More Effective Method for Controlling Production of Major Crops if Surpluses Occur Again—During the 1971-73 crop years, the Commodity Credit Corporation paid farmers \$7.6 billion to set aside, or not farm, cropland, to prevent excessive supplies of wheat, feed grains, and cotton from accumulating. This was only partly effective in reducing production primarily because some cropland, which would have been set aside anyway (placed in summer fallow) as a normal farming practice, was allowed to qualify for Federal payments. About \$800 million was paid for setting aside wheat land that would not have been farmed anyway.

We recommended that the Secretary of Agriculture develop a legislative and administrative proposal to better control production of crops that may become too plentiful. The Secretary submitted to the applicable legislative committees a proposal that was consistent with our recommendation. The Food and Agriculture Act of 1977 provides for a set-aside program based on a percentage of the current year’s planted acreage and requires that the acreage normally planted to designated crops be reduced by the amount of the set-aside. (CED-77-57, Apr. 25, 1977.)

LEGISLATIVE RECOMMENDATIONS

Federal Deficiency Payments Will Not Be Made for Crops Not Grown—The Commodity Credit Corporation made about \$135 million in deficiency payments to rice farmers for the 1976 rice crop. These payments were based on the extent that the national average market price received by rice farmers was below a target price established by law. The law provided for payments on the basis of acreage allotments and not on the basis of acres actually planted. About \$5 million of the \$135 million was paid for rice not grown and thus not marketed. The situation in which payments would be made on unplanted and thus unmarketed crops could have arisen for the 1978 and future crops of wheat, feed grains, and rice if existing legislation were extended.

In line with our recommendation, the Food and Agriculture Act of 1977 provides for deficiency payments for the 1978 and future crops of wheat, feed grains, cotton, and rice to be based on planted acreage. Thus, deficiency payments will not be made for crops not grown. (CED-77-77, May 24, 1977.)

Environment and Natural Resources

Eliminating Small Cost-Share Increases Under the Agricultural Conservation Program—A 1938 amendment to the Soil Conservation and Domestic Allotment Act required that farmers receiving cost shares of less than \$200 a year for conservation practices under the program be paid an additional nominal amount. The intent was to provide greater financial assistance to operators of small farms. The nominal payments—which ranged from 40 cents to \$14—did not further the program's objectives and were an administrative burden. We recommended that the Congress amend the law to eliminate the provision for cost-share increases.

The Food and Agriculture Act of 1977 eliminated small cost-share increases. On the basis of an annual conservation program of about \$190 million, we estimate that eliminating the cost-share increases will make an additional \$3 to \$4 million available annually for conservation practices. (B-114833, Feb. 16, 1972.)

Manufacturers Need To Test Toxic Substances Before Marketing Chemicals—Up to 90 percent of human cancer, according to some scientists, is environmentally caused—and controllable. Federal efforts to protect the public from cancer-causing chemicals have not been very effective.

The Government can control cancer-causing chemicals, but an important factor in achieving public protection is whether action is taken before or after the chemical gets into commercial use and the environment. We reported to the Congress that Federal efforts would be improved by proposed toxic substances leg-

islation that would require manufacturers to prove a chemical's safety before it is marketed. (HRD-76-59, June 16, 1976.)

The Toxic Substances Control Act, enacted October 11, 1976, provided for manufacturers' premarket testing of chemical substances that may be harmful to health or the environment.

Enduring Conservation and Environmental Enhancement Measures To Be Emphasized—Under the Agricultural Conservation Program, many critically needed conservation practices could not compete with some of the popular practices which were eligible for assistance but which provided more tangible economic returns. Consequently, many important conservation needs may have remained unmet. We recommended that the Congress clarify the types of conservation practices the program should fund.

The Food and Agriculture Act of 1977 amended the program's authorizing legislation to specify that financial assistance be provided to agricultural producers for carrying out enduring conservation and environmental enhancement measures. Eligibility for financial assistance is to be determined by the existence of conservation or environmental problems that reduce the productive capacity of the land and water or that cause environmental degradation. (CED-77-30, Feb. 14, 1977.)

Specific Authority To Monitor Department of Energy Activities—During hearings on March 25 and April 19, 1977, on legislation to create a Department of Energy, GAO recommended that a provision be added giving GAO a specific mandate to continuously monitor, evaluate, and report on the policies, plans, and programs of the Department of Energy. The Senate adopted this provision, and it was accepted by the conference committee and enacted when the Department was created. The benefit of this provision is that GAO's access to data is greatly enhanced, and as a result, reporting time frames can be shortened. It is also useful in initiating work at the very inception of a program, where, in the past, GAO encountered agency resistance on the basis that its interest was premature.

Improving Mine Safety—To improve the effectiveness of the Department of the Interior's inspections and to help require that mine operators reduce hazards on a more permanent basis, we recommended that the Congress (1) amend the Federal Metal and Nonmetallic Mine Safety Act to give Interior authority to levy appropriate penalties, such as on-the-spot closure orders and/or monetary fines, in cases where mine operators repeatedly violate the same standards and (2) enact legislation specifically authorizing the

types of research and the level of funding it deems appropriate.

The Federal Mine Enforcement Safety and Health Amendments Act of 1977, Public Law 95-164, approved November 9, 1977, contains provisions for implementing our recommendations. (CED-77-103, July 26, 1977.)

General Government

Charges for Services to Special Beneficiaries Modernized—We reported that the Secretary of the Treasury should prepare legislation to

- transfer the U.S. Customs Service statutory fees to the administrative jurisdiction of the Secretary of the Treasury,
- combine fees to eliminate certain administrative work, and
- eliminate outdated user charges.

The Secretary submitted proposed legislation in July 1977. A bill (H.R. 8149) was reported out by the Committee on Ways and Means on September 15, 1977, and passed the House on October 17, 1977. (GGD-75-72, Mar. 10, 1975.)

Preventing Refundable Payments of Social Security and Federal Unemployment Taxes by Charitable Organizations—In 1975 about 12,700 to 20,200 charitable organizations paid social security taxes ranging from \$118 to \$369 million, even though they were exempt under the law. Because of IRS administrative errors, these amounts were all refundable.

Drawing on information provided by GAO, the Congress passed legislation to prevent such withdrawals. Public Law 94-563, signed by the President on October 19, 1976, states that if charitable organizations have made social security payments for three consecutive calendar quarters, they cannot withdraw their money. (GGD-76-102, Feb. 1, 1977.)

Simplification of Tax Form 1040A—Form 1040A used by about 31.2 million filers was designed to provide a simplified means to determine income tax owed. We reported that the form has become complex and suggested several alternatives to simplify it.

As a result, Public Law 95-30, dated May 23, 1977, provides that the standard deductions be a single amount for each filing class and that the standard deductions and general tax credit be incorporated into the tax table. (GGD-77-26, Feb. 9, 1977.)

Extension of Priority System in Procuring Critical Materials for Important Civil Programs—The Defense Production Act of 1950 authorizes the President to establish a priority system to allocate resources to pro-

mote the national defense. We recommended that the Defense Production Act be amended to broaden the priority and allocation authority to include nondefense programs of vital national interest. We also recommended that a single agency administer all priority programs.

The Congress decided not to amend the Defense Production Act of 1950 but to consider extending the priority system on a case-by-case basis. The Congress has established a central referee for the various priority programs in the Federal Preparedness Agency. (PSAD-76-14, Feb. 27, 1976.)

Health

Improved Disclosure of Overlapping Financial Interests—We recommended that the Congress consider amending the Social Security Act to require hospitals, as a condition for participating in Medicare, Medicaid, and Maternal and Child Health and Crippled Children's Services, to make publicly available information disclosing (1) overlapping financial interests of the board members and key employees, including a statement of the extent of competition involved in acquiring goods and services, and (2) the hospitals' arrangements with hospital-based specialists.

On October 25, 1977, the President signed Public Law 95-142, which included a provision achieving the intent of our suggestions. (MWD-75-73, Apr. 30, 1975.)

Lease-Purchase Agreements for Wheelchairs and Other Durable Medical Equipment—Between 1966 and 1975, annual Federal and State outlays for Medicaid and Medicare increased by over \$120 billion. At the request of the Chairman, Human Resources Task Force, House Committee on the Budget, we identified the source of these cost increases and described Federal efforts to control these costs. The primary reasons for these cost increases were (1) inflation, (2) increases in the number of people covered and in the use of services, and (3) additional types of services. HEW had been slow in issuing regulations to implement laws passed by the Congress and in responding to our recommendations to control costs.

We recommended that the Congress reduce costs by requiring lease-purchase agreements for wheelchairs and other durable medical equipment.

On October 25, 1977, the President signed Public Law 95-142, which included a provision strongly encouraging such agreements. (MWD-76-93, Feb. 11, 1976.)

Improvements in the Emergency Medical Services System—In November 1973 the Congress added the

LEGISLATIVE RECOMMENDATIONS

Emergency Medical Services (EMS) Systems Act of 1973 (42 U.S.C. 300d) to the Public Health Services Act to promote development of comprehensive regional emergency medical services systems. HEW was authorized to make grants for that purpose. The act provides also that all Federal emergency medical services related programs are to be coordinated through the Inter-agency Committee on Emergency Medical Services.

We reported to the Congress that although some progress had been made in the development of the regional systems, administrative improvements and certain legislative changes were needed. Public Law 94-573, approved October 21, 1976, included provisions based on our recommendations to (1) require local commitment to regional system development, (2) reduce the scope of certain mandatory system components which were beyond the control of grantees, (3) improve HEW administration of the program, and (4) improve coordination among Federal programs related to the systems. (HRD-76-150, July 28, 1976.)

Progress in Implementing the Health Maintenance Organization Act of 1973—The Health Maintenance Organization (HMO) concept calls for establishing an entity to (1) provide specific health services to its members—either directly or through arrangements with others—and (2) be compensated by predetermined, prepaid rates. Prepayment distinguishes HMOs from most other health care providers, which charge patients or their insurers for each service rendered.

The Health Maintenance Organization Act of 1973 amended the Public Health Services Act to provide a trial Federal program to develop alternatives to traditional forms of health care delivery and financing by assisting and encouraging the establishment and expansion of Health Maintenance Organizations.

We reported to the Congress that implementing the program was impeded by several factors, including HEW's administration and complexities in the act. Public Law 94-460, approved October 8, 1976, amending title XIII of the Public Health Services Act, included provisions based on our recommendations to (1) improve HEW administration of the program, (2) change certain organizational and operational requirements, and (3) change the scope of required basic and supplemental health benefits offered. (HRD-76-128, Sept. 3, 1976.)

More Effective Control Over Use of Long-Term Institutional Care by Medicaid Recipients—The Social Security Amendments of 1972 added section 1903(g)(1) which requires each State to submit a quarterly showing (certification) that it has an effective program of utilization control over long-term institutional care. HEW must validate States' certificates

by at least conducting on-site sample surveys at medical facilities with Medicaid recipients.

On June 1, 1976, we reported (MWD-76-137) that HEW had not (1) obtained certifications promptly or (2) performed validation reviews, which it considered sufficient to impose the requirements of section 1903(g)(1). The section requires a one-third reduction of Federal payments for long-term care unless medical reviews and independent professional reviews are made at all facilities. We stated that we would invoke the authority to disallow expenditures as contained in the Budget and Accounting Act, as amended, and the provisions of 31 U.S.C. 82C by holding responsible the appropriate accountable officer or officers of the Government in the event they make payments for long-term care which have not been supported by required showings of compliance and a statement by the Secretary or his designee that these showings are satisfactory.

On March 1, 1977, we again reported on this matter (HRD-77-56) and recommended that section 1903(g)(1) be amended to set an adherence level of less than 100 percent because the higher adherence level could result in reduced Federal payments disproportionate to the possible excess payments resulting from noncompliance.

On October 25, 1977, the President signed Public Law 95-142 which (1) permits the Secretary of HEW, at his discretion, to waive the reduction provisions of section 1903(g)(1), (2) diminishes the payment reduction provision to make the decrease commensurate with the degree of noncompliance, and (3) requires that States be given appropriate notice before the payment reduction provisions can be invoked. (HRD-77-56, Mar. 1, 1977.)

Income Security

New Child Support Legislation—Under the child support program of title IV-D, Social Security Act, as amended (42 U.S.C. 651 et. seq.), the Federal Government participates in State programs to locate absent parents, establish paternity, and obtain and enforce child support.

Title IV-D did much to improve child support; however, some program areas could be further improved. In line with our recommendations, Public Law 95-30 was approved May 23, 1977, in part amending the Social Security Act to (1) provide for a consistent rate to be used in computing incentive payments to States and localities that collect support payments, (2) expand the garnishment provision and define "legal process," and (3) require HEW to include certain child support program data in its annual report to the Congress. (MWD-76-63, Apr. 5, 1977.)

More Stringent Requirements for Summer Feeding Program Sponsors Applying for Advance Payments—In some cases advance payments had been made to summer feeding program sponsors which were larger than the sponsors' cash needs or their eligible claims for reimbursement because sponsors overestimated program size. The law required the Food and Nutrition Service to make advances to the States on June 1, July 1, and August 1 each year to be used by the States for making advances to sponsors. These amounts were to be the greater of (1) the amount earned in the same month the year before or (2) 65 percent of the amount expected to be earned during the month.

We recommended to the Congress that the States be given flexibility to make advance payments to sponsors on the basis of State determinations of need. The 1977 amendments to the National School Lunch and Child Nutrition Acts put more stringent requirements on sponsors to qualify for advance payments and provide the States with flexibility in determining the amounts of such payments. (CED-77-59, Apr. 15, 1977.)

New Criteria for Selecting Sponsors in the Summer Feeding Program—The serious program abuses in past summer feeding programs involved private sponsors. Schools and public agencies seemed to be in the best position to provide the summer feeding services the Congress was seeking without widespread abuses. Therefore, we recommended that sponsorship be generally limited to schools and other public agencies.

The 1977 amendments to the National School Lunch and Child Nutrition Acts include a priority system for use in selecting sponsors when more than one eligible sponsor proposes to serve the same area. Under this system, schools and service institutions that have demonstrated successful program performance in a previous year are to be given first priority. (CED-77-59, Apr. 15, 1977.)

Limit on the Number of Meals Served Under the Summer Feeding Program—Service institutions were not prohibited from serving meals and meal supplements except when the service period of different meals coincided or overlapped. In reviewing the 1976 program in four States, we found that (1) sponsors competed for children by offering more meals than other sponsors, (2) food had been wasted because of inadequate storage facilities, and too much food had been pushed at children, and (3) costs spiraled.

We recommended that the Congress limit the program's meal services to breakfast, lunch, and a supplement, except for residential camps where the needy child could not go home for supper and funds from other sources were not available to pay for the meal.

The 1977 amendments to the National School Lunch and Child Nutrition Acts authorize reimbursement

for up to three meals a day, including a meal supplement, except camps may serve up to four meals a day if the sponsors are capable of doing so and if the meals do not coincide or overlap. (CED-77-59, Apr. 15, 1977.)

Change in Basis for Reimbursement of Sponsors' Administrative Costs—The law governing the summer food service program for children reimbursed sponsors on the basis of a specified amount per meal served to eligible children for each type of meal service. This provision created an incentive for waste and cheating. We recommended that the Congress require that the maximum reimbursement of each sponsor's administrative costs be based on a program-related budget approved by the State. Specific State guidelines, subject to Food and Nutrition Service approval, would be required for the size and salary of the sponsors' staffs, as well as other administrative costs based on the number of sites handled by each sponsor.

The 1977 amendments to the National School Lunch and Child Nutrition Acts separate the administrative cost reimbursement from the meal reimbursement and require each service institution to submit a complete budget for its administrative costs to the State for its approval. The Secretary of Agriculture must formulate a schedule of maximum allowable administrative reimbursements and make a study of the administrative costs of operating the program at a local level. (CED-77-59, Apr. 15, 1977.)

States and Sponsors To Be Given More Planning Time for Summer Feeding Operations—The Department of Agriculture was required to publish final regulations, guidelines, applications, and handbooks for the summer feeding program by March 1 of each year. State officials said this was too late for orderly implementation of the program. We recommended to the Congress that the Department be required to publish final regulations by January 1 and guidelines, applications, and handbooks by February 1. The 1977 amendments to the National School Lunch and Child Nutrition Acts provide that proposed regulations be published by November 1, final regulations by January 1, and guidelines and handbooks by February 1. (CED-77-59, Apr. 15, 1977.)

Change in Eligibility Requirements for Children Participating in the Summer Feeding Program—Program officials said it was difficult to establish the eligibility of particular feeding sites because data was not generally available to ascertain whether one-third of the children in the area were needy, as required by law. Under the one-third criterion, more than half the children receiving free meals in some areas could be from nonneedy families.

LEGISLATIVE RECOMMENDATIONS

We recommended that the Congress consider increasing the one-third requirement or replacing the area eligibility concept with eligibility based on the needs of individual participants, as is required in the school lunch and breakfast programs. We also recommended that residential camps and other institutions operating programs which require formal enrollment be paid only for individual children determined to be needy.

The 1977 amendments to the National School Lunch and Child Nutrition Acts added a new provision permitting individual determinations of eligibility in those instances in which that method of determination would be more efficient administratively. The 1977 amendments also limit payments to camps to those meals served to children qualifying for free or reduced price meals during the regular school year under the National School Lunch Act and the Child Nutrition Act of 1966. (CED-77-59, Apr. 15, 1977.)

New Criteria for Approving Service Institutions Applying To Be Summer Feeding Program Sponsors—The law governing the 1976 and 1977 summer food service programs provided that any eligible service institution receive the program upon its request. The Food and Nutrition Service, Department of Agriculture, interpreted this provision to mean that all non-profit service institutions that applied were to be approved. Our review of 1976 program operations in four States showed that some of these sponsors had been incompetent or dishonest.

We recommended that the Congress delete the provision from the law. The 1977 amendments to the National School Lunch and Child Nutrition Acts deleted the provision and added new eligibility criteria covering the administrative, financial, and operating capabilities necessary for approval of service institutions. (CED-77-59, Apr. 15, 1977.)

Clear Statutory Basis for Prosecuting Nursing Homes Which Improperly Solicit Contributions—This report was issued to the Chairman, Senate Special Committee on Aging. We reviewed a sample of nursing homes in Florida, Georgia, Ohio, and Utah to determine whether the homes were requiring contributions from the families of Medicaid patients as a condition of admittance or continued stay. Although we found no clear-cut cases of forced contributions, several patients' families in Florida and Georgia told us they believed the nursing homes exerted pressure to obtain contributions.

We recommended the Committee initiate action to amend the Social Security Act to provide a clear statutory basis for prosecution in the event contributions are solicited by nursing homes as a precondition for admittance or as a requirement for continued stay. On October 25, 1977, the President signed Public Law 95-

142, which included such an amendment. (HRD-77-90, May 26, 1977.)

Authority To Administratively Handle Food Stamp Recipient Fraud Cases—Prosecution of individual recipient fraud had lower priority than other food stamp program fraud, such as rings organized for trafficking in food stamps or fraud by retailers or wholesalers. Also, because of limited staff and large court backlogs, it was impractical to prosecute every suspected fraud case.

We recommended that the Congress authorize the Secretary of Agriculture, in consultation with the U.S. Attorney General, to develop within each State administrative procedures to handle the majority of food stamp recipient fraud cases. We said that implementation of the procedures would result in determinations as to whether fraud occurred and what penalties should be assessed. We added that penalties should generally consist of disqualification from the program for meaningful periods of time and/or warnings of suspension.

The Food and Agriculture Act of 1977 authorizes the Secretary to delegate to State agencies the power to settle and adjust claims arising from fraudulent and nonfraudulent overissuances to recipients. It also provides that an individual shall be disqualified from the program for 3 months if the State agency finds that the individual has fraudulently acquired food stamps. Also, if found guilty by the courts of fraudulently acquiring food stamps, the individual shall be additionally disqualified for a period of from 6 to 24 months. (CED-77-112, July 18, 1977.)

Additional Incentive for States To Investigate and Punish Food Stamp Recipient Fraud—Because the States were not adequately pursuing cases in which recipients may have fraudulently obtained food stamps, we recommended that the Congress authorize the Secretary of Agriculture to increase from 50 percent to 75 percent the Federal reimbursement of State administrative costs for the investigation and adjudication of fraud. The Food and Agriculture Act of 1977 authorizes the Secretary to pay the States not less than 75 percent of the administrative costs associated with investigating and prosecuting fraud. (CED-77-112, July 18, 1977.)

International Affairs and Finance

Improvements in AID's Contracting for Consultants and Advisors—We reported that the exemption of retired civilian employees serving as experts or consultants with the Agency for International Development from laws governing the simultaneous receipt of compensation and retirement benefits is no longer necessary and recommended that the Congress amend the authorizing legislation to eliminate the exemption. The

Congress enacted this legislation as a part of the International Development and Food Assistance Act of 1977. (ID-76-82, Dec. 27, 1976.)

Strengthening the Foreign Gifts and Decorations Act of 1977—We recommended that the Congress amend the Foreign Gifts and Decorations Act to provide the basis for adequately implementing the constitutional intent to control the impact of gifts given by foreign governments. In our report we included a proposed bill to amend and improve 5 U.S.C. 7342.

Public Law 95-105, enacted August 17, 1977, generally incorporated the wording of our proposed bill and should accomplish the intent of our recommendation. (ID-77-31, June 23, 1977.)

National Defense

Physical Examination Requirement for Fleet Reservists—Upon completion of 20 years' service, regular Navy and Marine Corps enlisted personnel may, at their request, be transferred to the Fleet Reserve or Fleet Marine Corps Reserve. Although these persons are technically reservists, essentially they are retired. Section 206 of the Naval Reserve Act (10 U.S.C. 6485(b)) required that these reservists be physically examined at least once every 4 years. Similar statutory requirements have never been imposed on retired enlisted personnel of the Army and Air Force. The Navy had previously sought repeal of this legislative requirement inasmuch as the program did not insure that reservists would be physically fit in an emergency.

We recommended that the Department of Defense resubmit this legislation for consideration by the Congress. This was done and repeal of the requirement for physical examinations was incorporated in Public Law 95-79, July 30, 1977. (FPCD-73-25, Mar. 19, 1973.)

Open Legislative Recommendations Made During the Fiscal Year Ended September 30, 1977

Agriculture and Rural Development

The Congress should specify the goals of the national school lunch program, assign them priorities, and evaluate the program accordingly. To assist in its oversight function, the Congress should

- require the Department of Health, Education, and Welfare (HEW) to help the Department of Agriculture evaluate the program's impact,
- review Agriculture's program evaluation plan before implementation, and

—require the Secretary of Agriculture, on completing the program's evaluation, to provide a comprehensive report of his findings, together with any recommendations to improve program effectiveness.

(PAD-77-6, July 26, 1977.)

The Cotton Statistics and Estimates Act and the Tobacco Inspection Act should be amended to authorize the Secretary of Agriculture to charge for cotton classing and tobacco grading services. Continued Federal funding of cotton classing and tobacco grading services is inconsistent with the Government's general policy of charging fees for special services and with the practice of charging for grading other commodities. (CED-77-105, Aug. 2, 1977.)

Commerce and Transportation

To improve the Federal Aviation Administration's ability to identify medically unfit airmen, the Congress should amend section 2 of Public Law 86-660, 74 Stat. 526, to authorize the Secretary of Transportation to provide the Federal Aviation Administration with information contained in the National Driver Register, which the Department maintains, about an applicant for a medical certificate. (CED-76-154, Nov. 3, 1976.)

The Congress should enact legislation to enable the Secretary of Transportation to implement a program of variable incentives or sanctions that would provide each State with maximum flexibility in reducing driver speeds. (CED-77-27, Feb. 14, 1977.)

The Congress, in reexamining the need for economic regulation of the airline industry, should provide the Civil Aeronautics Board with legislative guidance defining national objectives for air transportation and indicating the extent to which increased competition should be used to achieve those objectives. (CED-77-34, Feb. 18, 1977.)

The urban system provision of the Federal Highway Act does not provide local communities sufficient incentive to use urban system money on mass-transit projects; therefore, communities use this money for roads in preference to mass-transit projects. If the Congress wants more urban system funds to be used for mass transit, it should amend section 142 of title 23 of the United States Code to provide further incentives to local communities. (CED-77-49, Mar. 18, 1977.)

LEGISLATIVE RECOMMENDATIONS

The Federal ship-financing program, established under title XI of the Merchant Marine Act of 1936, provides for a Government guarantee of debts incurred by citizen shipowners to finance or refinance U.S.-flag vessels. The Maritime Administration had been unable to exercise the full intent of its guarantee authority, because its \$7 billion authorized guarantee ceiling was less than the total demand for title XI guarantees.

We recommended that the Secretary of Commerce inform the Congress that the authorized \$7 billion ceiling was inadequate to cover all guarantee demands and that, therefore, the Maritime Administration had placed restrictions on applications for refinancing guarantees. The Secretary should also recommend to the Congress a legislative ceiling for title XI guarantees compatible with both industry and Federal maritime policy needs. (CED-77-68, May 16, 1977.)

The Congress should amend the 1935 Motor Carrier Act to provide the Bureau of Motor Carrier Safety in the Department of Transportation additional authority to assess civil penalties against carriers now subject to motor carrier safety regulations and to increase maximum fines and penalties for civil and criminal violations. If the Congress wants the Federal motor carrier safety program improved to the level envisioned in 1966, it should

- increase Bureau resources for performing important safety activities or
 - develop a program of financial incentives for the States to assume responsibility for enforcing State motor carrier safety regulations which are similar to Federal regulations or
 - enact a combination of increased Bureau emphasis and financial incentives to the States.
- (CED-77-62, May 16, 1977.)

The Interstate Commerce Commission's traditional regulatory objectives of protecting regulated truckers and insuring adequate services to the public sometimes compete with the national objective of saving energy. The Congress should enact legislation (1) showing whether energy conservation or traditional regulatory objectives are more important and (2) allowing the Commission to change its regulations to authorize intercorporate transportation, if it does not conflict with the national priorities established. (CED-77-79, July 8, 1977.)

To increase fuel efficiency in the airline industry, the Congress should establish higher airline load factors as one of its national objectives and provide legis-

lative guidance for achieving this objective. (CED-77-98, Aug. 15, 1977.)

The Congress should provide the Civil Aeronautics Board with a legislative mandate to restructure the airline subsidy program to provide necessary air services to small communities at the least cost to the Federal Government. (CED-77-114, Aug. 19, 1977.)

Community Development and Housing

Title I of the Public Works and Economic Development Act should be amended to permit the Economic Development Administration to fund projects in two steps:

1. Preconstruction grants for developing final plans and specifications and readying projects for bid advertisement.
2. Construction grants to assist in building projects that are designed and meet Administration criteria.

To permit implementation of a two-step grant system, future public works appropriations should be made available for obligation for 2 fiscal years. This would provide continuity by allowing the administration, at the time it approves a grant for the design of a project, to also set funds aside for its construction. (CED-77-86, July 7, 1977.)

Education, Manpower, and Social Services

The Indian Education Act of 1972 should be amended to more clearly define who is eligible and what constitutes "special educational needs," and the act should require the amount of awards to be based on the number of children with special educational needs, not on enrollment. (HRD-76-172, Mar. 14, 1977.)

The Comprehensive Employment and Training Act, which authorizes public service employment programs for State and local jurisdictions, should be amended to

- limit the time enrollees can remain in the programs, to encourage the participants to seek other employment when economic conditions warrant and
- extend the preferential treatment accorded members of low-income families (under the 1976 amendments to the act) to all public service jobs.

(HRD-77-53, Apr. 7, 1977.)

Requirements imposed on the Department of Health, Education, and Welfare in the General Education Pro-

vision Act should be reviewed with HEW officials to resolve HEW's view that it lacks the authority and ability to fully comply. (HRD-76-165, Sept. 8, 1977.)

General Government

The civil service disability retirement provisions of title 5, section 83, of the U.S. Code should be amended to encourage the retention of potentially productive disabled employees by requiring Federal agencies to reassign employees to other jobs they would be able to do. In addition, the definition of economic recovery from disability should be revised to preclude annuitants' earning more than their former Government pay and still retaining their annuities. (FPCD-76-61, Nov. 19, 1976.)

The Federal Communications Act of 1934, which restricts the financial holdings of employees of the Federal Communications Commission to preclude conflicts of interest, should be amended (1) to apply the prohibition only to those companies the Commission significantly regulates and (2) to include in the prohibition the financial interests of the employee's spouse, minor child, or immediate household member. (FPCD-76-51, Dec. 21, 1976.)

Costs for Civil Service Commission contracts with health insurers could be better controlled through legislation

- requiring the Commission to include specific cost-control and/or incentive provisions in contracts with Federal employees health benefits carriers,
- authorizing the Commission to audit the carriers for economy, efficiency, and achievement of results, as well as for financial soundness and compliance with the contracts, and
- providing the Commission with some flexibility in contracting with the carriers for the service benefit plan.

(HRD-76-174, Jan. 14, 1977.)

The Congress should amend the National Bank Act to allow the Office of the Comptroller of the Currency to examine national banks at its discretion rather than twice a year as the law requires. Under this approach, banks in poor condition and those with major weakness in policies, procedures, or controls could be examined more often than those in good condition. (OCG-77-1, Jan. 31, 1977.)

The Congress should establish a coordination mechanism to help the Comptroller of the Currency, the

Federal Deposit Insurance Corporation, and the Federal Reserve System join forces to improve the Federal bank supervisory process and resolve common problems. (OCG-77-1, Jan. 31, 1977.)

The Congress should reevaluate the need for special retirement benefits to Federal law enforcement personnel and firefighters. If the special retirement policy is continued, however, the Congress should (1) amend the law to require additional retirement contributions by employing agencies and (2) reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure. (FPCD-76-97, Feb. 24, 1977.)

The law (5 U.S.C. 5728(a)) providing for Government-paid round-trip travel for Federal employees and their families, from nonforeign duty posts outside the continental United States to their place of residence, at the time of appointment should be amended to (1) authorize Federal administrators to offer the travel benefits only when deemed necessary for retention of qualified personnel and (2) limit the number of years that employees can receive the benefits. (FPCD-76-65, Mar. 2, 1977.)

The Congress should enact legislation to establish a national policy on areawide planning, to promote improved coordination and integration of federally assisted planning programs. Congress also should reduce the number of separate programs for areawide development planning, by consolidating their objectives into a broader purpose planning program. (GGD-77-24, Mar. 28, 1977.)

The acts allowing waiver of claims, arising out of erroneous payments of pay or allowances to present or former Federal agency or military personnel, should be amended to permit the Comptroller General to set the monetary limitation on cases that may be adjudicated at the agency level. (B-158422, B-152040, Mar. 30, 1977.)

The Congress should amend the Postal Reorganization Act to

- clarify the role of the Postal Rate Commission,
- provide the Commission with authority to issue subpoenas, impose a periodic reporting system, and represent itself in court litigation, and
- provide for congressional approval of the Board of Governors' adjustments to the Postal Rate Commission budgets.

(GGD-77-20, Apr. 7, 1977.)

LEGISLATIVE RECOMMENDATIONS

The Congress should repeal 26 U.S.C. 5178(a) (2) (B), 5202, and 5221, requiring a closed distillation system and inspectors at distilleries to ensure prompt payment of excise taxes, and should require the Secretary of the Treasury to

- submit legislative recommendations revising the regulation of the distilled-spirits industry, considering the all-in-bond and modified all-in-bond systems, and
- include an analysis of alternatives for determining and collecting excise taxes.

(GGD-76-91, Apr. 8, 1977.)

The Chairman, Civil Service Commission, should recommend legislation to the Congress which would eliminate inconsistencies in Federal employee overtime pay provisions of the Fair Labor Standards Act and title 5 of the United States Code. (FPCD-76-95, Apr. 18, 1977.)

The Congress should change the method of funding and the benefit structure of the Federal employees' life insurance program, to make coverage more attractive to younger employees and more equitable for all. (FPCD-77-19, May 6, 1977.)

The Congress should limit the number of conversions by savings and loan associations from mutual to stock form of ownership through September 30, 1979. This will give the Federal Home Loan Bank Board additional time to monitor the conversion process, refine regulations, and assess further the impact of conversions on the savings and loan industry. (FOD-77-10, May 10, 1977.)

Section 6013 of the Internal Revenue Code should be amended to, under certain conditions, relieve a separated spouse from tax liability on unreceived portions of the community income due to him or her under State law. (GGD-77-56, July 12, 1977.)

The effectiveness of the labor-surplus policy has been hampered by (1) a lack of aggressive implementation by Federal and State agencies, (2) the inability to provide total set-asides to labor-surplus firms, (3) competing socioeconomic programs, such as the small business program, and (4) broad and inflexible definitions of labor-surplus areas.

The Congress should either strengthen the policy by writing it into law and giving it a statutory base or rescind the policy and rely on other socioeconomic programs to direct Federal contracts to distressed areas. (PSAD-77-133, July 15, 1977.)

The Congress should consider a new way of presenting the Federal budget—mission budgeting. Under this concept, activities in agency funding requests would be organized by the purposes and needs they are intended to serve; thus a new program would become visible at its start. At that time the Congress could (1) assess the program's need and priority before it acquires momentum and (2) encourage the creation and exploration of various approaches before the Government gets locked prematurely into the largely uncontrollable cost of any one solution. (PSAD-77-124, July 27, 1977.)

So credit assistance through the Federal Financing Bank will be better reflected in the budget, the Congress should require that:

- The Bank's receipts and disbursements be included in the Federal budget totals.
- The receipts and disbursements of off-budget agencies that borrow from the Bank be included in the budget.
- Certificates of beneficial ownership be treated as agency obligations and therefore as borrowing in the budget.

(PAD-77-70, Aug. 3, 1977.)

Legislation should be enacted requiring the full cost of Federal retirement systems to be recognized and funded, with differences between accruing costs and employee contributions charged to agency operations. In addition, the Congress should establish an overall policy to guide Federal retirement system development. (FPCD-77-48, Aug. 3, 1977.)

The Congress should

- cooperate with the executive branch to develop and use common criteria for establishing and classifying all revolving funds and
- study the full financial implications of each new proposal for an additional revolving fund and incorporate the findings in the appropriate reports and documents on the legislation.

(PAD-77-25, Aug. 30, 1977.)

The Fair Labor Standards Act and title 5 of the U.S. Code should be amended to permit controlled experimentation with flexible hours or compressed workweek schedules. (FPCD-75-92, Oct. 21, 1974 and FPCD-77-62, Sept. 26, 1977.)

The Civil Service Act should be amended to eliminate the requirement that appointments to competitive civil

service positions in the departmental service in Washington, D.C., be apportioned on the basis of population distribution. (FPCD-74-44, Nov. 30, 1973 and FPCD-77-61, Sept. 29, 1977.)

Health

Section 1833(c) of the Social Security Act should be amended to increase the outpatient mental health coverage available under medicare. This could be done by increasing the limit of \$250, and/or the percent of Federal reimbursement, or by authorizing a combined limit on inpatient and outpatient mental health care, to encourage outpatient care. (HRD-76-152, Jan. 7, 1977.)

Funds earmarked for mental health under the special health revenue sharing and community mental health center programs should be consolidated into a formula grant to State mental health agencies. A combined grant could (1) more effectively accomplish the objectives of both programs, (2) increase State mental health agencies' capability and flexibility so they can provide a coordinated, comprehensive mental health system emphasizing community-based care, and (3) provide a more stable funding source for community mental health services until other funding methods are fully developed.

New legislative initiatives are needed to encourage Federal and State agencies to expand services for the severely mentally disabled. Funds could be earmarked for the mentally disabled or a weighted case-closure or funding formula could be established. Legislation is also needed to require federally funded State disabilities programs to concentrate on coordinating, at the local level, assistance programs for the disabled. (HRD-76-152, Jan. 7, 1977.)

Legislation is needed to consolidate HEW programs with similar objectives in the same agencies.

Legislation requiring regulations should include a time limit in which the Secretary must publish them. In setting the limit, the Congress should consider the complexity, significance, or controversiality of the statute; the availability or lack of precedents, and the number of potentially significant policy or legal issues. (HRD-77-23, Feb. 4, 1977.)

In deliberating national health insurance proposals, the Congress should determine whether the benefits of introducing an income test would justify the added administrative problems and costs. (HRD-76-129, Feb. 24, 1977.)

For a more concerted Federal effort against alcoholism, legislation is needed to give the National Institute on Alcohol Abuse and Alcoholism authority to establish Federal coordination policies and procedures and to monitor Federal agencies' alcoholism programs. (HRD-76-163, Apr. 28, 1977.)

When considering funding for the Public Health Service hospital system, the Congress should consider the following factors:

- The potential savings from providing health care services to military dependents and to medicare and medicaid beneficiaries in federally controlled Health Service hospitals and clinics.
- The savings and increased efficiency that could result from Service hospital participation in and cooperation with regional and local health planning and resource allocations.
- The potential benefits of developing, at the Service hospitals, health care research and health manpower training like those conducted by the National Institutes of Health.
- The potential role of the Service hospital system as a primary or standby health care provider in any future national health insurance program.

(HRD-77-111, May 26, 1977.)

If department and agency heads do not develop effective employee alcoholism programs within a reasonable time, the Congress should give the Civil Service Commission more authority to do so. (HRD-77-75, Sept. 7, 1977.)

Income Security

The Congress should clarify title IV-A of the Social Security Act to specify the children to be served under the Aid to Families with Dependent Children foster care program, taking into account the availability of services to children from other government programs and the need for coordination among those programs. (HRD-77-40, Feb. 22, 1977.)

States operating the Food and Nutrition Service's summer feeding program are reimbursed for administrative costs of up to 2 percent of program costs. Because program costs cannot be determined until after the end of each program year, the States found it difficult to budget and plan their activities. Consequently, some States exceeded the 2-percent limit and others did not spend available administrative funds. The 1977 National School Lunch Act and Child Nutrition

LEGISLATIVE RECOMMENDATIONS

Amendments continue to base reimbursement on program costs. The Congress should authorize the Service to negotiate with the States for a maximum amount for reimbursement of administrative costs based on State-prepared budgets and plans. (CED-77-59, Apr. 15, 1977.)

The Congress should clarify whether section 1611(e) (A) of the Social Security Act applies to *all* disabled supplemental security income recipients suffering from alcoholism or drug abuse, or only to those recipients whose disability determination *depends* on alcoholism or drug abuse. (HRD-76-163, Apr. 28, 1977.)

Thirty percent of the Indochinese refugees resettled in the United States were on the welfare rolls in December 1976. Because section 212(a)(15) of the Immigration and Nationality Act could deny permanent resident status to these refugees, the Congress should enact legislation that deals with this particular segment of the refugee population as proposed in Senate bill 694. (HRD-77-35, May 10, 1977.)

Legislation is needed to amend section 1612 of the Social Security Act to treat in-kind support and maintenance consistently under the Supplemental Security Income program, regardless of recipients' living arrangements. (HRD-77-101, HRD-77-113, and HRD-77-114, June 23, 1977.)

To improve the program for paying black-lung benefits to coal miners and their survivors, the Federal Coal Mine Health and Safety Act should be amended to

- delete the requirement that, to be eligible under the 15-year rebuttable presumption, living miners must file within 3 years of their last coal mine employment,
- delete the requirement that a widow of a miner determined to have been totally disabled from pneumoconiosis file within 3 years of the miner's death, and
- permit Labor to use the more liberal "interim standards" adopted by the Social Security Administration in adjudicating black-lung claims.

(HRD-77-77, July 11, 1977.)

States must expend their own funds—50 percent of the costs—to identify, investigate, and recover overissuances of food stamps, but any money recovered must be returned to the Federal Government. The States need a financial incentive to pursue the recovery of overissuances. Therefore, the Congress should author-

ize the Secretary of Agriculture to allow the States to keep part of the money recovered. (CED-77-112, July 18, 1977.)

Legislation is needed to establish financial incentives for States to effectively control and reduce erroneous welfare payments under the Aid to Families with Dependent Children program. (HRD-76-164, Aug. 1, 1977.)

International Affairs and Finance

The Congress should (1) enact an improved export reporting system that will provide early warnings of changes in demand and (2) establish a food export policy that protects the interests of both producers and consumers during both surpluses and shortages. (ID-76-87, May 2, 1977.)

The Congress should require the Secretary of State to report annually on his implementation of the positive action plan for improving U.S. participation in international organizations. This reporting could be incorporated into the Secretary of State's annual report to the Congress on U.S. contributions to international organizations. (ID-77-14, May 16, 1977.)

Law Enforcement and Justice

The Congress should enact legislation similar to section 503 of President Ford's April 27, 1976, proposal for antidrug legislation, entitled "The Narcotic Sentencing and Seizure Act of 1976" (H.R. 13577 and S. 3411). Section 503 would have raised the \$2,500 limit for administrative forfeiture to \$10,000. (GGD-76-105, May 31, 1977.)

The Congress should enact legislation authorizing

- the Secretaries of the Interior, Agriculture, and the Army and the Board of Directors, Tennessee Valley Authority, to designate employees to maintain law and order and protect persons and property on Federal lands,
- appropriate Federal officials to carry firearms, secure and execute needed Federal orders, conduct investigations, make warrantless arrests in certain cases, apply certain Federal criminal statutes to land administered by Federal agencies, make appropriate authorizations resulting in placing such land in a concurrent jurisdictional status, and

—appropriate Federal officials to cooperate with any State in the enforcement of State laws by providing appropriate reimbursements to such States. (GGD-77-28, June 21, 1977.)

National Defense

The Department of Defense should propose legislation to increase the maximum payment for handicapped services allowable under the civilian health and medical program of the uniformed services. (HRD-76-175, Oct. 21, 1976.)

The Congress should enact legislation permitting the military services to require Reserve Officer Training Corps dropouts to reimburse the Government for education and training costs instead of entering active duty. (FPCD-77-15, Mar. 15, 1977.)

Article 25 of the Uniform Code of Military Justice should be amended to require random selection of jurors on military courts. (FPCD-76-48, June 6, 1977.)

Legislation should replace the military base-pay and allowances system with an efficient and equitable salary system. (FPCD-77-20, Aug. 1, 1977.)

The Congress should legislate limits on appropriated fund support to military installation facilities established to sell personal goods and services or offer recreation and entertainment to military personnel, their dependents, and guests. (FPCD-77-58, Aug. 31, 1977.)

Legislation is needed to limit the ability of insurance companies to prevent the Government from recovering the cost of medical care provided to individuals eligible for care at Federal expense. This could be done by

- expanding the legislative proposal the Veterans Administration intends to submit in the 95th Congress to include the Departments of Defense and Health, Education, and Welfare and/or
- requiring all Government agencies to try to recover the cost of medical care provided in Government hospitals to all persons having insurance which would cover such costs.

(HRD-77-132, Sept. 13, 1977.)

The Congress should enact legislation that authorizes readjustment pay for career enlisted personnel who are involuntarily discharged before they are eligible for retirement. (FPCD-77-42, Sept. 29, 1977.)

Natural Resources, Environment, and Energy

To maintain closer scrutiny over the funding of advanced waste treatment facilities, the Congress should consider having the Environmental Protection Agency report to it annually on (1) the costs and potential water quality improvements of new advanced-treatment facilities and (2) problems and accomplishments of completed advanced-treatment facilities in meeting their water quality objectives. (CED-77-12, Dec. 21, 1976.)

The Bureau of Indian Affairs has made no major progress over the last several years in implementing policies, procedures, and programs to meet the educational needs of Indian students. Congressional committees should thus intensify monitoring of the Bureau and, if adequate progress is not made, explore such possibilities as transferring responsibility for Indian education programs to another Government agency. (CED-77-24, Jan. 17, 1977.)

The Congress should amend the Federal Nonnuclear Energy Research and Development Act of 1974 to specify the types of nonnuclear energy projects requiring reports or specific authorizations. (EMD-77-25, Feb. 25, 1977.)

Some aircraft and airport noise control regulations that the Environmental Protection Agency (EPA) proposed to the Federal Aviation Administration had not been acted on by the Administration for over 2 years. The Congress should amend section 7(c)(1) of the Noise Control Act to require the Administration, within a specified time, to publish a notice in the *Federal Register*, stating whether EPA's proposals will be accepted, modified, or rejected. If the proposals are to be modified or rejected, the reasons for such actions should also be stated. (CED-77-42, Mar. 7, 1977.)

Because of the time and money already lost, the Congress should designate one lead Federal agency to approve and monitor an overall decommissioning strategy for nuclear facilities. The Nuclear Regulatory Commission is uniquely suited for this role because of its charter to independently regulate commercial nuclear activities to assure public health and safety. (EMD-77-46, June 16, 1977.)

The Congress should pass pending legislation to provide for an Outer Continental Shelf leasing program that will identify the size, timing, and location of leas-

LEGISLATIVE RECOMMENDATIONS

ing, to assure that the Government receives fair market value for its oil and gas. (EMD-77-19, Mar. 7, 1977; EMD-77-51, June 28, 1977.)

To reduce unnecessary chlorination of sewage, the Federal Water Pollution Control Act should be amended to permit exceptions from the national goal of swimmable waters. Excepted would be waters which are found to be unswimmable because of factors such as heavy barge traffic, cold climate, and general appearance. (CED-77-108, Aug. 30, 1977.)

To insure public health and safety, the Congress should amend the Energy Reorganization Act of 1974 to provide independent assessments of the Energy Research and Development Administration's facilities intended for (1) temporary or long-term storage or disposal of commercial and Administration-produced transuranic contaminated waste, (2) temporary storage of Administration-produced high-level waste, and (3) temporary storage or long-term disposal of spent commercial fuel. (EMD-77-41, Sept. 9, 1977; EMD-77-40a, May 2, 1977.)

The Department of the Interior had interpreted the Federal Coal Mine Health and Safety Act of 1969 as limiting the Department's authority to regulating active mines. As a result, it had not regulated abandoned coal-waste sites, even though many were hazardous.

The Surface Mining Control and Reclamation Act of 1977 authorizes reclamation funds to alleviate the hazards of abandoned sites. The Congress should clarify the Department's authority and responsibilities to regulate the safety of abandoned coal-waste disposal sites. (CED-77-82, Sept. 21, 1977.)

Significant or Recurring Report Subjects

The Congress should amend the American National Red Cross Act of 1905 to relieve the Department of Defense of responsibility for auditing Red Cross financial operations. (FGMSD-77-49, July 26, 1977.)

The Congress should amend the National Security Act to require placing internal audit functions of the three military departments under their Secretaries or Under Secretaries, reporting directly to them. (FGMSD-77-49, July 26, 1977.)

Veterans Benefits and Services

The Congress should change the basis of funding medical care for Filipino veterans from a reimbursable

contract to a fixed-sum grant that would pay for only service-connected care at the Veterans Memorial Medical Center in the Philippines. (HRD-77-95, May 20, 1977.)

The Congress should determine with the Veterans Administration the feasibility of increasing incentives for domiciled veterans to return to community living. (HRD-77-69, Sept. 21, 1977.)

Open Legislative Recommendations From Prior Years

Agriculture and Rural Development

The Commodity Futures Trading Commission Act should be amended to provide GAO access to records of boards of trade, brokerage houses, exchanges, and other establishments subject to that act. (Letter dated Feb. 13, 1974, to the Chairman, House Committee on Agriculture; testimony before Senate Committee on Agriculture and Forestry, May 20, 1974; and letter to Senator Dick Clark, July 30, 1974.)

Section 901(b) of the Agricultural Act of 1970, as amended, requires all executive agencies to have policies and procedures for giving priority to locating new offices and other facilities in rural areas. This legislation has had little effect on Federal employment in rural areas. We recommended that the Congress require Federal agencies and departments to inform the Congress of their requirements, problems, and improvements in selecting locations for Federal facilities. We also recommended (1) that the Congress assign, or request the President to assign, one agency to lead and coordinate the implementation of section 901(b) and (2) that each agency be directed to establish an affirmative action plan to implement section 901(b). (CED-76-137, Sept. 7, 1976.)

General Government

The Social Security Act, section 205(c), should be amended to prohibit persons from receiving credits toward social security benefits who have not paid the required tax on income from self-employment. (B-137762, Aug. 9, 1973.)

The Bankruptcy Act (11 U.S.C. 1) should be amended to exclude, from discharge through bankruptcy, taxes assessed within 3 years before a bankruptcy petition is filed. (B-137762, Aug. 9, 1973.)

Title 5, Section 5334(b), of the U.S. Code should be amended to provide that an employee demoted without loss of pay be entitled, upon repromotion or restoration to his previously held grade, only to the rate of pay he would have received had he not been demoted. (FPCD-74-46, July 2, 1974.)

Title 5, section 3318, of the U.S. Code, requiring selection from an arbitrary listing of the top eligibles for a position vacancy, should be amended to allow the Civil Service Commission to prescribe alternative selection procedures. (FPCD-74-57, July 23, 1974.)

Statutory authority (18 U.S.C. 4281 and 4284) for providing inmate release funds should be amended to

- specifically authorize release gratuities to inmates of community treatment centers and
- clearly either authorize or prohibit loans to prisoners in the work release program.

(GGD-75-3, Aug. 16, 1974.)

A law should be enacted to provide

- one premium pay plan to apply to the four inspecting agencies for services at U.S. ports of entry and
- uniform policy on charges for inspections at U.S. ports of entry.

(GGD-74-91, Feb. 14, 1975.)

The Intergovernmental Cooperation Act of 1968 should be amended to require that Federal agencies report to each State on all Federal financial assistance to the State and its political subdivisions. (GGD-75-55, Mar. 4, 1975.)

The Intergovernmental Personnel Act should be amended to allow salary supplements for State and local government employees detailed to Federal positions where

- their Federal counterparts receive higher salaries or
- the cost of living is higher.

(FPCD-75-85, Mar. 7, 1975.)

We suggested that the Congress amend the Federal Employees' Compensation Act to

- either strengthen or eliminate the reimbursement process for agencies receiving appropriated funds, on whose behalf disability benefits were paid from the Employees' Compensation Fund and

- apply the fair-share surcharge for administrative costs to all participating Government agencies, instrumentalities, and other organizations not wholly dependent on annual Federal appropriations and not enumerated in the act.

(MWD-75-23, Mar. 13, 1975.)

Chapter 24 of the Internal Revenue Code of 1954, as amended, should be revised to include remuneration received as agricultural wages in the Federal income tax withholding system. (GGD-75-53, Mar. 26, 1975.)

Legislative provisions affecting the wage rate determination process for Federal blue-collar employees should be amended to allow attainment of pay comparability between public and private sectors. (FPCD-75-122, July 3, 1975.)

The Congress could reduce conflicts between State health insurance requirements and contracts of Federal Employees Health Benefits carriers by clarifying whether State requirements should be permitted to alter the terms of contracts negotiated under the Federal Employees Health Benefits Act. The House passed a bill, H.R. 2931, which provides that provisions of contracts under the Federal employees program preempt State or local laws which contradict them. (MWD-76-49, Oct. 17, 1975.)

Legislation should be enacted changing Federal white-collar pay systems to provide for

- separate systems designed around more logical groupings of occupations,
- pay rates based on the patterns of the labor market in each area, and
- proper recognition of differences in individual employees' proficiency and performance.

(FPCD-76-9, Oct. 30, 1975.)

The law (30 U.S.C. 6) which prohibits employees of the Bureau of Mines from having certain private interests which may conflict, or raise a reasonable question of conflict, with their public duties should be amended to include the Administrator and employees of the Mining Enforcement and Safety Administration. (FPDC-75-167, Dec. 2, 1975.)

The Federal Alcohol Administration Act should be amended to clarify the authority of the Bureau of Alcohol, Tobacco, and Firearms to investigate, before a permit hearing, possible consumer violations of the act and unfair trade practices. The Congress should

LEGISLATIVE RECOMMENDATIONS

repeal all occupational taxes, in sections 5081 through 5148 of the Internal Revenue Code, on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of nonbeverage alcoholic products; brewers; manufacturers of stills; and rectifiers. (GGD-75-111, Jan. 16, 1976.)

Section 8(e) of the Joint Funding Simplification Act of 1974 should be amended either to (1) insure that specific amounts for non-Federal matching shares required for individual programs and appropriations will be provided by grantees or (2) more specifically authorize a single non-Federal matching share. (GGD-75-90, Jan. 19, 1976.)

Title 5, section 5991(a)(1), of the U.S. Code should be repealed, because the nontaxable cost-of-living allowance the law authorizes for Federal employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands is no longer an appropriate means of compensation in those areas. (FPCD-75-161, Feb. 12, 1976.)

The Congress should amend the criminal penalty provisions of the Defense Production Act, to provide Federal agencies additional authority to administratively assess and collect civil fines, subject to judicial review, for those who violate Federal directives. Civil fines should be based on such factors as the firm's financial condition, size, assets, etc., to maintain fairness so that the penalty will hurt but not destroy it. (PSAD-76-93, Apr. 2, 1976.)

Under the Federal Reports Act, GAO is required to review the information collection plans and forms of independent Federal regulatory agencies to minimize the burden on respondents and eliminate unnecessary duplication. The Congress should

- reassign GAO's responsibility for information clearance to an executive agency responsible for the entire clearance function and
- clarify and strengthen the legislation to allow the clearance agency to challenge the need for information.

(OSP-76-14, May 28, 1976.)

Public Law 91-269 should be amended to correct planning, designing, and funding problems in constructing permanent and semipermanent pavilion facilities for U.S. participation in international expositions held in the United States. Such an amendment would increase the likelihood of Federal use after the

exposition or reduce construction costs where no such use is anticipated. (GGD-76-58, June 29, 1976.)

To provide a long-term solution to problems in recruiting and retaining Federal physicians and dentists, the Congress should

- direct the Director, Office of Management and Budget, to develop a uniform compensation plan for Federal physicians and dentists and
- require the Director to report, within 1 year or earlier, on Office activities, together with recommendations, including proposed implementing legislation and cost estimates.

(HRD-76-162, Aug. 30, 1976.)

Health

Legislation should be enacted to prohibit importing fresh, frozen, and processed shellfish from countries that harvest and process shellfish under conditions that do not equal domestic standards. (B-164031(2), Mar. 29, 1973.)

The Fair Packaging and Labeling Act or the Federal Food, Drug, and Cosmetic Act should be amended to

- require full disclosure of all ingredients on packaged food products,
- authorize the Food and Drug Administration to require food labels to specifically identify spices, flavorings, and colorings, and
- establish a uniform open-dating system for perishable and semiperishable foods.

Legislation should also be enacted to establish a unit pricing program, including guidelines for designing and maintaining unit pricing information and educating consumers about its use and benefits. (MWD-75-19, Jan. 29, 1975.)

Legislation should be enacted to give the Food and Drug Administration clear authority to require that firms recall all products that violate its regulations. (MWD-75-52, Apr. 30, 1975.)

The Social Security Act should be amended to

- eliminate the waiting period for kidney transplant patients who reject their transplant after 12 months and
- encourage greater use of home dialysis.

(MWD-75-53, June 24, 1975.)

The Social Security Act should be amended to

- require that all nursing facilities be fully protected with automatic sprinkler systems and
- require the Department of Health, Education, and Welfare to establish rigid standards for nursing facilities asking to waive the recommended automatic sprinkler system requirement.

(MWD-76-136, June 3, 1976.)

The Congress should clarify its intent regarding the applicability of the Federal Food, Drug, and Cosmetic Act to Federal agencies and departments that sponsor clinical investigations of new drugs. (HRD-76-96, July 15, 1976.)

The Federal Hazardous Substances Act should be amended to

- provide for adjudicating alleged violations pursuant to the Administrative Procedures Act (5 U.S.C. 554-57) and
- authorize the Consumer Product Safety Commission to assess civil fines which are final unless appealed to the U.S. Court of Appeals within a specified time (5 U.S.C. 706).

(HRD-76-148, July 26, 1976.)

The Occupational Safety and Health Act of 1970 should be amended to (1) bring Federal agencies under the inspection authority of the Department of Labor, to supplement and strengthen Federal agencies' inspections, and (2) require that the results of Labor's inspections of Federal workplaces be reported to the Congress. (HRD-76-144, Aug. 4, 1976.)

The Occupational Safety and Health Act of 1970 should be amended to require that:

- The grant arrangement for State inspections under an approved plan be used only if the State either has obtained Labor's approval of all legal authorities, standards, procedures, and provisions or agrees to use Labor's established procedures, standards, and provisions until its own are approved.
- A contract arrangement be used if a State wants to make workplace inspections under the act but is precluded, by limited legal authority or other problems, from operating satisfactorily under a grant arrangement.

(HRD-76-161, Sept. 9, 1976.)

Income Security

The Social Security Act of 1965 should be amended to:

- Freeze the amount of social security trust funds available for financing the social security disability program, until the Department of Health, Education, and Welfare can devise a system to accurately evaluate the program's success in returning disabled beneficiaries to work.
- Change the fixed-percentage method of financing the program to a method which relates funding to the program's demonstrated success and potential.
- Require the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, in its annual report on the funds' operation and status, to evaluate the program's operation.
- Establish a formula method to reduce monthly disability benefits of those who attempt work according to their demonstrated earnings capacities. At present, all benefits are discontinued when beneficiaries demonstrate "the capability of engaging in substantial gainful activity," currently defined as the potential to earn \$200 a month.
- Rescind the requirement that disabled beneficiaries wait 24 months for medicare eligibility if their benefits were terminated but later reinstated because they were unable to continue working.

(MWD-76-66, May 13, 1976.)

Interest

A law should be enacted to provide that major Government trust funds *not* be invested in specific Government securities which pay varying interest rates but instead be paid interest on the trust fund balances used for nontrust purposes. The rate assigned to each fund should be the same and in line with the Treasury's cost of borrowing from the public. (GGD-75-34, Jan. 10, 1975.)

Law Enforcement and Justice

The Congress should consider passing legislation to make it unlawful to hire illegal aliens. (GGD-74-73, July 31, 1973.)

The Congress should impose a mandatory waiting period for foreign students before allowing them to acquire immigrant status, if grounds for such status were

LEGISLATIVE RECOMMENDATIONS

acquired while in the United States illegally. (GGD-75-9, Feb. 4, 1975.)

The Immigration and Nationality Act should be amended to prevent newly arrived immigrants from receiving welfare benefits. Legislation should be enacted to prevent illegal aliens from gaining grounds for permanent resident status. (GGD-75-107, July 15, 1975.)

The Congress should enact legislation concerning domestic intelligence operations to

- clarify the authority under which the Federal Bureau of Investigation would be able to initiate and conduct such operations,
- limit the types of groups and individuals warranting investigation and the extent of investigations,
- limit the extent to which the Attorney General may authorize the Bureau to take nonviolent emergency measures to prevent the use of force or violence in violation of Federal law, and
- require the Attorney General to periodically advise and report to the Congress on several specified matters.

(GGD-76-50, Feb. 24, 1976.)

The Congress should require the Attorney General to identify the current costs of serving all process which originates in Federal courts so that the Congress can revise the current fees charged to private litigants to approximate the cost. If fees are to be kept current, the Congress should either

- require that the Attorney General periodically analyze the cost of serving process and propose fee adjustments or
- vest the Attorney General with the authority to revise fees when necessary.

(GGD-76-77, July 27, 1976.)

The Congress should enact legislation to

- permit deportation of legal resident aliens who have been convicted of smuggling,
- give the Immigration and Naturalization Service discretionary authority to seize vehicles used in smuggling aliens, and
- prohibit nonimmigrants from acquiring legal residency if the grounds were acquired while in the United States illegally.

(GGD-76-83, Aug. 30, 1976.)

National Defense

The Congress should enact legislation to

- authorize agencies to solicit proposals from a competitive, rather than a maximum, number of sources and
- repeal the requirement that contracting officers prepare determinations and findings for certain procurements.

(B-168450, Sept. 17, 1973.)

Legislation should be enacted to allow military enlisted personnel to reenlist for unspecified periods, reducing the number of personnel who do not reenlist because a specific term is required. (FPCD-75-67, July 5, 1974.)

Federal policy for supporting contractors' independent research and development should be clarified by congressional guidelines setting forth

- the purposes for which the Government supports contractors' costs,
- the appropriate amount of this financial support, and
- the amount of control the Government should have over contractors' independent programs it supports.

(PSAD-75-82, June 5, 1975.)

Laws requiring 48 drill sessions and 2 weeks' active duty per year for military reservists should be amended to permit varying the training schedules of the Army and Air National Guards by categories, according to the kinds and amounts of training necessary. (FPCD-75-134, June 26, 1975.)

U.S. costs for the North Atlantic Treaty Organization (NATO) are paid from at least 11 separate appropriations and are usually not fully identified as NATO costs. Also, our NATO allies' budgetary support falls short of a "substantial reduction" in U.S. cost, as called for in the Jackson-Nunn amendment to the 1974 Defense Appropriation Act (Public Law 93-155). The Congress should

- define NATO costs and require identifying such costs in annual security assistance program presentations (ID-75-72, Aug. 25, 1975) and
- consider whether the Defense Department has satisfied the provisions of the Jackson-Nunn amendment and whether more specific language is needed in the law.

(ID-76-32, Apr. 28, 1976.)

Amendments to 10 U.S.C. 2205, 2210, and 2481(b), and 22 U.S.C. 2355(a), (c), and (d); 2390(2); 2392(c) and (d); and 2777(a) are needed to require the Department of Defense to credit reimbursements to appropriations current in the year the reimbursements are earned. (FGMSD-75-52, Nov. 1, 1976.)

Natural Resources, Environment, and Energy

The Water Supply Act of 1958 and the Small Reclamation Projects Act should be amended to provide, in financing small reclamation loans and the construction of multipurpose water resources projects, interest rates which better represent the Treasury's cost of borrowing money. (B-167712, Aug. 11, 1972.)

If the 160-acre limitation of the Reclamation Law is still considered appropriate to encourage the establishment of family-size farms, the Congress should enact legislation to prevent large landowners and farm operators from benefiting through their control of numerous 160-acre tracts. On the other hand, if the 160-acre limitation is no longer appropriate, the Congress should establish a new acreage limit for family farms eligible to receive Federal project water at subsidized rates. (B-125045, Nov. 30, 1972.)

The Mining Law of 1872 should be amended to

- establish an exploration permit system covering public lands and require individuals interested in prospecting for minerals to obtain a permit,
- establish a leasing system for extracting minerals from public lands,
- require that, to preserve valid existing rights, (1) mining claims be recorded with the Department of the Interior within a reasonable time after legislation is enacted and (2) evidence of a discovery of valuable minerals be furnished before claims are recorded, and
- authorize the Secretary of the Interior to grant life tenancy permits to individuals now living on invalid claims, if evicting them would cause undue personal hardship.

(RED-74-246, July 25, 1974.)

The Energy Conservation and Production Act should be amended to

- establish a national program for energy conservation, including national goals and priorities and Federal agency goals,

- require minimum thermal standards for all existing homes financed directly or indirectly through any federally insured agency,
- establish a cutoff date when appliances meeting minimum standards of operating efficiency must be installed in new homes, and
- ban the use of ornamental gas lights and require electric igniters, instead of pilot lights, on new appliances.

(RED-75-377, June 20, 1975.)

To provide for more competition in the award and renewal of concession contracts, the Congress should

- encourage Government construction of facilities whenever possible, thereby precluding problems from possessory interests and
- amend the Concessioners Policy Act to eliminate preferential renewal rights.

(RED-76-1, July 21, 1975.)

The Federal Water Pollution Control Act should be amended to give the Environmental Protection Agency the authority to

- extend on a case-by-case basis the July 1, 1977, requirements that industrial dischargers achieve permit effluent limitations where permit conditions cannot be met by the deadline after challenges to permit conditions have been resolved and
- grant extensions on a case-by-case basis to municipalities which cannot meet the July 1, 1977, water quality requirements because of insufficient time or Federal funds.

(RED-76-60, Feb. 9, 1976.)

The Mineral Leasing Act of 1920 should be amended to permit Federal coal leases to be adjusted before the end of a 20-year primary term. (RED-76-79, Apr. 1, 1976.)

To protect data acquired through international technology agreements the Administrator, Energy Research and Development Administration, should seek legislation specifically exempting this data from the disclosure provisions of the Freedom of Information Act. (RED-76-93, May 6, 1976.)

CHAPTER THREE

FINANCIAL SAVINGS AND OTHER BENEFITS

The full effect of GAO's activities, in terms of financial savings and improvements in the operations and effectiveness of Government programs and activities, cannot be measured. For instance, the increase in governmental effectiveness from actions taken on our recommendations cannot be stated in dollars and cents.

When actions taken by the Congress or an agency lead to measurable savings, we keep a record of them. The table that follows summarizes the \$5.7 billion in collections and other measurable savings attributable to our work which we identified during the year.

This chapter also describes savings not fully or readily measurable and other benefits from GAO activities.

Collections

Collections attributable to our activities totaled \$19.8 million. Of this, \$8 million represented our recovery of debts that Government agencies had been unable to collect.

Following our recommendation, the Air Force is now charging full costs for reimbursable satellite launches and has collected about \$10.4 million in additional revenues. Other major collections comprised recoveries by the Army, the Air Force, and the Navy of erroneous payments by disbursing officers.

Other Measurable Financial Savings

Other measurable savings consist largely of actual or potential savings from actions taken or planned

by the Congress and Federal agencies. In most instances, the potential benefits are estimated, and for some items the eventual amounts have yet to be determined.

<i>Action taken or planned</i>	<i>Estimated savings</i>
Automatic Data Processing:	
Competitively purchasing ADP equipment from vendors other than the original equipment manufacturers—Government-wide (estimated annual savings)	\$8,000,000
Equipping National Weather Service offices with remote access terminals instead of completely automated systems—Commerce (nonrecurring)	5,600,000
Cancellation of FAA's request for an additional computer—(nonrecurring)	3,000,000
Proposed procurement of ADP equipment canceled—Agriculture (nonrecurring)	2,400,000
More economical computer acquisition, increased competition, and improved security in communications—Agriculture (estimated annual savings)	1,250,000
Changes in the method of acquiring certain ADP equipment—National Security Agency (estimated annual savings)	1,250,000
Amount of automatic data processing equipment to satisfy the data processing needs of the Defense Integrated Data System was reduced—Defense Logistics Agency (nonrecurring)	625,000
Combining the fiscal year segments of the automated food stamp accountability master file into a single file—Agriculture (estimated annual savings)	279,000
Reducing the amount of computer output microfilm equipment needed to meet the workload requirements of two data processing activities in Hawaii—Navy (estimated annual savings)	43,000
Communications:	
Cancellation of proposed on-line dedicated communications network—Agriculture (\$15,810,000 estimated annual savings; \$8,000,000 nonrecurring)	23,810,000

Table 1

COLLECTIONS AND OTHER MEASURABLE SAVINGS ATTRIBUTABLE TO THE
WORK OF THE GENERAL ACCOUNTING OFFICE
FISCAL YEAR 1977

(000 omitted)

	Collections	Other measurable savings		Total
		Congressional action involved	Agency action involved	
DEPARTMENTS				
Agriculture	-	\$145,000	\$27,773	\$172,773
Air Force	\$10,433	127,400	38,894	176,727
Army	392	117,176	43,222	160,790
Commerce	-	-	5,618	5,618
Defense	500	456,315	111,088	567,903
Health, Education, and Welfare	-	-	58,331	58,331
Housing and Urban Development	174	-	2,582	2,756
Interior	-	-	117	117
Labor	-	-	15,000	15,000
Navy (and Marine Corps)	28	35,300	298,460	333,788
Transportation	7	-	8,950	8,957
Treasury	13	-	142,000	142,013
Alaska Power Administration	-	-	1,187	1,187
Bonneville Power Administration	-	-	4,174	4,174
Corps of Engineers (Civil Functions)	-	-	140	140
Defense Logistics Agency	-	-	177,625	177,625
District of Columbia Government	133	-	394	527
Environmental Protection Agency	-	-	12,090	12,090
General Services Administration	-	-	65	65
Government Printing Office	-	-	450	450
National Aeronautics and Space Administration	-	-	14,073	14,073
National Endowment for the Humanities	-	-	30	30
National Security Agency	-	-	1,250	1,250
National Science Foundation	38	-	-	38
Office of Telecommunications Policy	-	3,900	2,960	6,860
Panama Canal Organization	-	-	566	566
Postal Service	-	-	478	478
Veterans Administration	-	400	51	451
Government-wide	-	276,000	3,508,000	3,784,000
	11,718	1,161,491	4,475,568	5,648,777
General Claims Work	8,037	-	-	8,037
Total	\$19,755	\$1,161,491	\$4,475,568	\$5,656,814

<i>Action taken or planned</i>	<i>Estimated savings</i>
Communications (continued):	
Changes in charges for reimbursable satellite launches—National Aeronautics and Space Administration (estimated annual savings)	\$14,000,000
Canceled procurement of satellite communications, avionics equipment—Transportation (nonrecurring)	5,900,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Communications (continued):	
Consolidation of DOD's communications centers—Defense (estimated annual savings)	\$5,700,000
Reduction in appropriations for DOD's dedicated communications services—Defense (estimated annual savings)	5,000,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Communications (continued):	
Canceled wideband DOD nontactical secure voice communications system—Office of Telecommunications Policy (nonrecurring)	\$3,900,000
Changes in charges for reimbursable satellite launches—Air Force (estimated annual savings)	3,600,000
Cancellation of the operation of one teletype system and expansion of another teletype system—Office of Telecommunications Policy (\$1,500,000 estimated annual savings; \$1,460,000 nonrecurring)	2,960,000
Realignment of Military Affiliate Radio System stations—Air Force (estimated annual savings)	732,000
Unnecessary communication services eliminated—Air Force (estimated annual savings)	29,000
Community Development and Housing:	
Increase in rental rates for certain family housing on military bases—Defense (estimated annual savings)	6,300,000
Competitive contract award for Chicago Housing Authority elevator repairs—Housing and Urban Development (nonrecurring)	2,582,000
Cancellation of project to build 50 mobile home spaces at MacDill Air Force Base—Defense (nonrecurring)	229,000
Inspections of family housing units to identify needed maintenance will be done with in-house capability rather than under contract—Marine Corps (nonrecurring)	192,000
Contracting Policies and Procedures:	
Reduction in contract price based on data supplied to contracting officer—Army (nonrecurring)	2,323,000
National Park Service increased rental charges to concessionaires for use of certain Government owned or leased properties and changed its policy for computing future charges based on fair market value—Interior (\$66,000 nonrecurring; \$3,000 estimated annual savings)	69,000
Correction of overhead charges—Veterans Administration (nonrecurring)	51,000
Reduction in contract price resulting from defective subcontract cost or pricing data—Air Force (nonrecurring)	27,000
Reductions in contract price resulting from defective cost or pricing data—Air Force (nonrecurring)	19,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Disability Compensation for Federal Employees:	
Modification of formula used to award compensation for hearing loss under the Federal Employees' Compensation Act—Labor (\$9,000,000 nonrecurring; \$6,000,000 estimated annual savings)	\$15,000,000
Education:	
Cancellation of students' eligibility to receive HEW aid because they had not reported other income from VA benefits on their aid applications—Health, Education, and Welfare (nonrecurring)	16,000
Energy Generation/Solid Waste Management:	
Proposed refuse-fired energy recovery facility canceled—Air Force (nonrecurring)	1,127,000
Facilities Construction:	
Identification and revision of financial records to accurately show certain costs payable to the Treasury—Alaska Power Administration (nonrecurring)	1,187,000
Cancellation of a project to renovate a building—Panama Canal Organization (nonrecurring)	541,000
Construction costs for a new Postal Employee Development Center at the Sacramento Sectional Center Facility were avoided—Postal Service (nonrecurring)	478,000
Reduced design requirements for lunar sample storage vault—National Aeronautics and Space Administration (nonrecurring)	73,000
The cost of temporarily installing equipment was eliminated by delaying the installation until the overall project could be completed—Panama Canal Organization (nonrecurring)	25,000
Federal Employees Health Benefits:	
Repeal of legislation that would have provided for an inequitable sharing of health care costs between Medicare and insurance carriers under the Federal Employees Health Benefits program—Government-wide (estimated annual savings)	48,000,000
Financial Management:	
Reduction in non-interest-bearing tax and loan account balances from \$6 billion in 1972 to \$1.5 billion in 1976. Funds were transferred to accounts at Federal Reserve Banks where interest is earned—Treasury (estimated annual savings)	140,000,000
Greater use of composite checks to pay Federal employees—Treasury (estimated annual savings)	2,000,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>	<i>Action taken or planned</i>	<i>Estimated savings</i>
Financial Management (continued):		Logistics (continued):	
Reimbursement for military salary and permanent change-of-station costs associated with services provided to a foreign military sales customer—Air Force (nonrecurring)	\$341,000	Operations and maintenance costs of the heating plant at McGuire Air Force Base were reduced by converting from contract to in-house operation—Air Force (nonrecurring)	\$288,000
Adjustment of contractor's pension plan costs charged to Government contracts—Defense (estimated annual savings)	58,000	Consolidation of customer services at Armed Forces recreation camps at Seward, Alaska—Air Force (estimated annual savings)	173,000
Recovery and return of unexpended capital outlay funds to the U.S. Treasury—District of Columbia (nonrecurring)	36,000	Manpower Utilization:	
Foreign Military Sales:		Reduction in personnel and related support costs for Armed Forces recruiting programs—Defense (estimated annual savings)	54,200,000
Reduction of foreign military sales appropriations for transportation of material and personnel—Defense (nonrecurring)	14,100,000	Eliminating personal services at officers' quarters and messes—Defense (estimated annual savings)	24,000,000
A contract adjustment for ocean transportation services—Army (nonrecurring)	481,000	Reducing military personnel needed for apprehension and processing of deserters through increased efficiency and changes in policy and procedures—Defense (estimated annual savings)	5,935,000
Government Printing:		Centralized management of all mental testing of military recruits eliminated redundant personnel and administrative costs—Defense (estimated annual savings)	2,700,000
Improvements in the Government Printing Office's labor standards system—Government Printing Office (estimated annual savings)	400,000	Adopting standardized forms and data element codes and eliminating double processing of recruits in delayed-entry programs reduced the number of military personnel required for administration of recruiting programs—Defense (estimated annual savings)	1,140,000
Reduced procurement processing time and effort—Government Printing Office (estimated annual savings)	50,000	Consolidation of administrative functions for 25 correspondence schools at 1 location reduced the number of military and civilian personnel required to administer the school program—Army (estimated annual savings)	1,093,000
Interest Income:		Repeal of a legislative requirement for quadrennial physical examinations for fleet reservists eliminated the medical personnel and other administrative costs incurred in conducting 25,000 examinations annually—Navy (estimated annual savings)	900,000
Identification of reimbursable interest costs for recovery from commercial power revenues—Bonneville Power Administration (nonrecurring)	4,174,000	Reduction in number of military personnel used to answer questions of potential recruits over toll-free telephone system by streamlining system operation—Navy (estimated annual savings)	174,000
Changing system for billing, collecting, and depositing reimbursements for training foreign government students—Navy (estimated annual savings)	770,000	Manpower reductions due to reducing hours of operation of drawbridges and locks—Corps of Engineers (Civil Functions) (estimated annual savings)	140,000
Loans, Contributions, and Grants:			
Cancellation of offer to match a private gift with Federal funds which was outside the agency's statutory authority—National Endowment for the Humanities (nonrecurring)	30,000		
Logistics:			
Appropriation request reduced as a result of below-depot-level aircraft maintenance reductions in manpower and operations and maintenance costs—Defense (estimated annual savings)	17,600,000		
Change in maintenance plan to obtain routine rather than special maintenance on four VC-131H aircraft—Air Force (nonrecurring)	292,000		

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Material Distribution:	
Identification and refurbishment of reusable containers resulted in the reduced procurement of new containers. Also, controls were implemented to better insure that containers are identified and returned to the supply system—Navy (nonrecurring)	\$45,000
Medicare:	
Reduced errors in processing Medicare claims by use of automated methods—Health, Education, and Welfare (estimated annual savings)	194,000
Military Readiness:	
Improvements in personnel management of strategic forces—Army (nonrecurring)	38,500,000
Appropriation request was reduced as a result of flying hour reductions—Navy (nonrecurring)	23,300,000
Payments to Government Employees and Other Individuals:	
Administrative changes in pay-setting processes for Federal white-collar employees resulted in savings of compensation costs and in pay rates more comparable to those in the private sector—Government-wide (estimated annual savings)	3,500,000,000
Elimination of the extra 1 percent in cost-of-living adjustments in Federal retirement annuities—Government-wide (estimated annual savings)	228,000,000
Reduced travel costs by using the "average lodging cost" method of computing per diem expense instead of paying the statutory maximum allowance to uniformed personnel—Defense (estimated annual savings)	60,500,000
Personnel costs reduced by changes in pay-setting procedures for the indigenous work force of military installations in Korea—Defense (estimated annual savings)	5,200,000
Reinstatement of voucher examination function that was scheduled to be phased out during a planned reorganization—Marine Corps (estimated annual savings)	192,000
Erroneous leave records were corrected—Air Force (nonrecurring)	91,000
Procurement:	
Deletions of unneeded computer acquisitions from budgets—Health, Education, and Welfare (nonrecurring)	58,100,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Procurement (continued):	
Reductions in the advertising programs used by the Armed Forces in recruiting an all-volunteer force—Defense (estimated annual savings)	\$37,000,000
Procurement savings from canceled requisition for material no longer needed—Air Force (nonrecurring)	14,000,000
Reduced hourly rates paid to national advertising agency field representatives for assistance in military recruiting—Marine Corps (estimated annual savings)	100,000
Real Property Maintenance:	
Midyear civil reductions in funds for materials and supplies at Kadena and Clark Air Bases were denied—Defense (nonrecurring)	926,000
Contractor rent payment procedures revised—Air Force (estimated annual savings)	75,000
Revenues:	
Revising pricing policies to recover from foreign governments the full cost of military training provided—Defense (estimated annual savings)	40,000,000
Appropriation funding level reduced because pricing policy did not provide for full recovery of foreign military training costs—Defense (nonrecurring)	21,480,000
Increased recoveries of costs under sales contracts with a foreign country for technical assistance and training services—Defense (estimated annual savings)	17,400,000
Rebillings to recover undercharges for technical assistance and training provided to a foreign government for fiscal year 1976—Defense (nonrecurring)	17,400,000
Pricing policies changed to recover costs to house foreign military students—Air Force (estimated annual savings)	5,000,000
Medical reimbursement rates revised to recover full cost of care provided in military hospitals to certain civilians and foreign nationals—Defense (estimated annual savings)	4,435,000
Foreign governments rebilled to correct undercharges for training provided foreign military students—Air Force (nonrecurring)	2,400,000
Foreign governments rebilled to recover undercharges for training provided foreign military students—Navy (nonrecurring)	1,994,000
Revised accounting procedures recovered costs to overhaul equipment sold to foreign governments—Army (nonrecurring)	330,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Revenues (continued):	
Costs recovered from foreign governments for foreign military training—Navy (non-recurring)	\$250, 000
Reimbursement for automotive parts shipped but not billed to foreign governments—Army (nonrecurring)	63, 000
Collection of additional oil royalties due the Government—Interior (nonrecurring) . .	48, 000
Reimbursement for truck provided to a foreign government—Army (nonrecurring) .	32, 000
Supply Management:	
Reduction in the clothing and textile war reserve requirement by using maximum production offsets in the reserve requirement computation—Defense Logistics Agency (nonrecurring)	177, 000, 000
Submarine inventory requirements were reduced through improved methods for establishing and maintaining optimum stock levels on board submarines and their supporting supply tenders—Navy (non-recurring)	86, 000, 000
Procurement and transportation cost savings resulted from periodic identification and cancellation of outstanding orders for materiel no longer needed—Navy (estimated annual savings)	44, 000, 000
Requirements for spare aircraft engines were reduced—Navy (nonrecurring)	29, 300, 000
Reduction in submarine inventory requirements through improved methods for establishing and maintaining optimum stock levels on board submarines and their supporting supply tenders—Navy (nonrecurring)	20, 000, 000
Reduction in procurement of new X-ray units for training by using existing units and purchasing simulators instead of fully operational X-ray units—Army (non-recurring)	400, 000
Reimbursements and credits for overstocked items returned to suppliers and reduction of inventory-carrying costs—District of Columbia (nonrecurring)	253, 000
Credits for overstocked items returned, stock on hand substituted for new purchases, and inventory-carrying cost reduction—District of Columbia (nonrecurring)	105, 000
The number of copies of each new trademark ordered for stock was reduced—Commerce (estimated annual savings)	18, 000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Transportation:	
Recovery of transportation and other delivery costs permitted the reduction of the appropriation request—Defense (nonrecurring)	\$210, 200, 000
The Military Airlift Command will collect a \$10 charge from each space-available passenger—Air Force (estimated annual savings)	3, 500, 000
Reduced dedicated manpower authorized solely to support distinguished visitors' lounges at 19 passenger terminals operated by the Military Airlift Command—Air Force (estimated annual savings)	900, 000
The Military Airlift Command will collect Federal tax from space-available passengers traveling on chartered commercial aircraft—Air Force (estimated annual savings)	100, 000
Reduced staff at Corps of Engineers motor pool—General Services Administration (estimated annual savings)	65, 000
Veterans Benefits:	
Reduction of the medical benefits grant for Filipino veterans for non-service-connected disabilities—Veterans Administration (estimated annual savings)	400, 000
Vocational Rehabilitation:	
Reductions in educational financial assistance in cases where other financial assistance received by clients had not been properly considered—Health, Education, and Welfare (nonrecurring)	21, 000
Warehousing:	
Savings in permanent-change-of-station travel costs by making greater use of Defense owned and operated warehouse facilities to store military members' household goods—Defense (estimated annual savings)	7, 300, 000
Weapons Systems:	
Termination of the Vulcan gun effectiveness improvement modification program—Army (nonrecurring)	108, 164, 000
Reduction in request for procurement funds for the CH-53E helicopter—Navy (non-recurring)	62, 000, 000
Reduction in production funding for the Maverick missile program—Air Force (nonrecurring)	46, 000, 000
Reduction in appropriation for procurement for the NAVSTAR Global Positioning System—Air Force (nonrecurring)	43, 400, 000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Weapons Systems (continued):	
Elimination of funding for full-scale development of the IIR Maverick missile program—Air Force (nonrecurring)	\$38,000,000
Termination of the development program for the 8-inch Paveway (laser-guided projectiles)—Navy (nonrecurring)	34,000,000
Reduction in research and development funding of the high-speed antiradiation missile—Navy (nonrecurring)	18,500,000
Reduction in budget request for concurrent development and production of the CAPTOR (deep sea mine) program—Navy (nonrecurring)	12,000,000
Reduction in authorization for ground laser locator designator—Army (nonrecurring)	6,500,000
Reduction in appropriation for research, development, test, and evaluation of the BUSHMASTER (M-139 gun)—Army (nonrecurring)	2,512,000
Other Items:	
Reduction in Government losses on peanut price-support program resulting from a change from acreage to a poundage quota system—Agriculture (estimated annual savings)	145,000,000
Transferring an excess laboratory building and avoiding construction of a new laboratory—Environmental Protection Agency (nonrecurring)	12,090,000
Reduction in costs of operating schools for dependents of U.S. personnel overseas by improved management of supplies, contractual services, and personnel—Defense (nonrecurring)	8,600,000
Correction of accounting deficiency resulted in reduction of funding level for military personnel—Air Force (nonrecurring) . . .	6,200,000
Cancellation of a proposal to study the effects of ratemaking deregulation—Transportation (nonrecurring)	50,000
Avoidance of need to purchase new forms, an addresser/printer, and related equipment for processing meat and poultry label applications and elimination of one staff position—Agriculture (\$26,000 nonrecurring; \$8,000 estimated annual savings)	34,000

Additional Financial Savings Not Fully or Readily Measurable

Many important one-time or recurring financial savings result from our work, but the resultant savings cannot be fully or readily measured.

Reduction in Resources for the FBI's Domestic Intelligence Operations

In February 1976, we reported to the Congress that the domestic intelligence operations of the Federal Bureau of Investigation were too broad in terms of both the number of people investigated and the scope of investigation. Moreover, such investigations had had few tangible results.

We recommended that the FBI, under the guidance of the Department of Justice, develop (1) guidelines clearly defining the purpose and scope of domestic intelligence investigations and (2) standards for initiating and conducting both preliminary and full-scale investigations. The FBI responded by increasing its controls over the initiation of preliminary investigations and by adopting, in August 1976, a more restrictive investigative policy.

As a result, the number of pending investigations dropped about 88 percent between June 1975 and December 1976, and the number of persons assigned to such operations in approximately the same period declined 70 percent. This reduction freed approximately 650 personnel to be used elsewhere.

Reduction in the University of the District of Columbia Construction Program

The act creating the University of the District of Columbia consolidated three District colleges—Federal City College, Washington Technical Institute, and D.C. Teacher's College—into a university under a single management system.

At congressional hearings in May 1977, the university presented a 5-phase construction program—three phases at the Van Ness campus and two phases at the Mount Vernon Square campus—to provide facilities for 19,993 full-time-equivalent students at a cost of \$266.4 million. (The program provided for some duplication of space at the two campuses.) However, the D.C. population would have had to almost double to achieve this enrollment. Because we questioned the need for some of the proposed construction, we met with officials from the university and the District's Office of Budget and Management Systems to present three alternatives to the 5-phase construction program and their costs.

On July 12, 1977, after several meetings with GAO, the university submitted a revised program to the Mayor. The revised program would provide for an enrollment of about 13,000 and consist of only three phases of construction costing about \$136 million—two at the Van Ness campus and only one at the Mount Vernon Square campus.

Improved Control Over Disposition of Royalty Income

The sale of educational materials developed by grantees of the National Science Foundation frequently results in royalty income due the Government. The Foundation allowed grantees to use the royalty income for certain grant purposes. How these funds were used was subject to the Foundation's approval, but not to the Congress' through the appropriation process. In February 1975, we described for the Senate Committee on Appropriations the accountability problems caused by allowing grantees to use royalty income.

At the Committee's request, the Foundation revised its policy to require that grantees remit all outstanding royalties to the Foundation for deposit in the Treasury and that future royalties be remitted semiannually. Royalties returned as of June 30, 1976, totaled \$1,522,946, decreasing Treasury borrowing. Future royalties will be returned as educational materials are sold. Net savings cannot be measured, because some grantee activities previously carried out with royalty funds might be provided for in the agency's budget request. However, such activities will now be subject to congressional scrutiny in the normal appropriations process.

Decentralizing Property Tax Payments Reduces Errors

We recommended in a report to the Congress (FGMSD-76-24, Nov. 26, 1975) that the Department of Housing and Urban Development improve its system of accounting for property tax liability on acquired single-family property by (1) notifying local taxing authorities of acquisitions and sales and (2) delegating to local HUD offices the responsibility for obtaining and verifying tax bills.

HUD responded to our recommendation by testing a pilot program to decentralize tax payments in the Cincinnati, Ohio, area from November 1975 to March 1976. Considering the test a success, HUD implemented the program in all field offices.

Our followup review of the Cincinnati test showed a reduction in penalties for payment errors—from \$15,000 to \$700—and we predict that similar reductions will be achieved at other field offices.

Army Saves Development Costs and Time by Using GAO's Computerized Hospital Planning Model

In response to an Army request for technical assistance, we provided a computerized hospital planning model we had developed for our review of proposed

Defense hospital construction. The Army estimates our help saved it at least \$20,000 and 8 to 10 months needed to develop its own program. Saving the time was especially beneficial, since the computer analysis was needed before the Army could have developed its own model.

Reemphasis of Income Recertification Requirements at Housing Projects

On October 5, 1976, we reported to the Congress that HUD was not effectively monitoring section 236 subsidized housing project owners' income recertification practices. It thus had little assurance that tenants were paying proper rents or that project owners were remitting required amounts to it. We reported that recertifications for 81 percent of 750 tenants' records at 15 projects were made late or not at all. We estimated that 128,000 tenants nationwide require recertification annually.

On November 1, 1976, the Department directed all field offices to remind project owners and managers of income recertification requirements. Managers were also to be cautioned that carelessness in performing recertifications constitutes grounds for HUD to cancel management contracts.

Improved Procedures To Assure the Accuracy of Rental Charges

From a random sample, we found that about 9 percent of the rents charged to Air Force personnel occupying inadequate family quarters were incorrect. We brought this condition to the attention of the Air Force Accounting and Finance Center and recommended that the matter be included in its quality assurance program. The Air Force implemented a number of regulatory changes to assure the accuracy of rent collections.

An End to Agricultural Deficiency Payments for Crops Not Grown

The Commodity Credit Corporation paid about \$135 million in deficiency payments to rice farmers for the 1976 crop. These payments were based on the extent that the national average market price received by rice farmers fell short of a target price established by law. The 1973 farm law and 1975 rice law provided for payments to farmers on the basis of acreage allotments and not on the basis of acres actually planted. About \$5 million of the \$135 million was thus paid for rice not grown.

The situation in which payments would be made on unplanted, and thus unmarketed, crops could have

FINANCIAL SAVINGS AND OTHER BENEFITS

arisen for future crops of wheat, feed grains, and rice if the 1973 farm law and 1975 rice law had been extended.

In a report to the Congress (CED-77-77, May 24, 1977), we recommended legislation that would preclude deficiency payments on crops not grown. The Food and Agriculture Act of 1977 (Public Law 95-113, Sept. 29, 1977), based deficiency payments for wheat, feed grains, cotton, and rice on planted acreage. Thus, deficiency payments will not be made for crops not grown.

Effective Implementation of the Department of Defense's New Profit Policy

We performed a limited review of the data generated by the Defense Department's "Profit '76" study and its impact on the development of the Department's new profit policy. We agreed with the Department's new policy of holding average negotiated profits to prior levels, encouraging contractor investments in cost-reducing facilities, and offsetting the effect of imputed interest on facilities capital (provided for by Cost Accounting Standard 414) from the profit computation.

We recommended that the Secretary of Defense closely monitor the new policy's implementation; study, after a test period, whether the effect of imputed interest is being offset in the prenegotiation profit objective; further reduce the impact of cost input in establishing profit objectives; and issue additional guidance to promote consistent application of the productivity reward factor.

The actions taken and planned by Defense should provide for more effective implementation of the new profit policy.

Reduced Interest Costs

The Small Business Administration's central office was depositing funds in special commercial bank accounts for the full amount of approved advances to subcontractors. No effort was made to coordinate the timing of deposits with withdrawals by the subcontractors. As a result, the Government was paying interest to borrow money while funds were allowed to remain idle in banks.

The Small Business Administration agreed to amend its procedures to require that advances of \$250,000 or more be made in installments unless a one-time disbursement was justified.

Weapon Production Deferred for Additional Testing and Analyses

During Department of Defense Appropriations hearings before the Congress in February and March 1976, the Navy stated that its major-caliber, lightweight gun had undergone a highly successful operational evaluation at sea. However, analysis of the test results by the Commander, Navy Operational Test and Evaluation Force, in July 1976, raised serious questions about the gun's operational effectiveness and suitability.

In a letter report to the Secretary of Defense (PSAD-77-4, Nov. 5, 1976), we recommended additional testing before the gun was produced. In December 1976, the Secretary of Defense deferred production of the gun pending a cost-effectiveness study. In addition, the Navy directed additional testing of the gun.

Better Management for Improving Air Traffic Control

The Federal Aviation Administration (FAA) has established a development program to improve the present air traffic control system. Effective management of this engineering and development effort will reduce development and procurement costs and possibly operation and maintenance costs, as well as the quality of air traffic control.

Our review disclosed problems in acquisition management, particularly in the areas of planning and appraisal. We recommended that FAA use detailed studies and analyses before choosing a system and take other actions, such as establishing formal, long-range operational requirements.

FAA has established formal, long-range operational requirements and has agreed to make future acquisition decisions in accordance with our recommendations. Engineering and development costs for the new program are expected to be over \$700 million, and procurement costs, several billion dollars; therefore, savings from better management should be considerable.

Stronger Civil Service Commission Control Over Revolving Fund Assets

The Civil Service Commission revolving fund needed better accounting and management controls. We recommended procedural changes in (1) controlling receivables, fixed assets, and accounts payable, (2) determining and applying depreciation, and (3) reconciling accounting records with reports sent to the Treasury. Also, we recommended periodically evaluating staffing requirements for accounting operations and

promptly adjusting them, especially during changing activity.

The Chairman, Civil Service Commission, told us that resultant better procedures and more accounting system controls improved accounting for the fund during the past fiscal year. The corrective actions taken by the Commission should improve its control over fund assets and liabilities and improve the accuracy of financial reporting.

More Effective Screening of Enlistees

Our report to the Congress on military recruiting pointed out the need for better controls over the enlistment process to reduce the number of unqualified recruits entering the armed services and then being discharged almost immediately. These early discharges, in many cases, resulted from recruiting improprieties and procedural inefficiencies in the screening processes. Effective screening could have prevented 41,000 early discharges, costing about \$70 million, during fiscal year 1974.

Actions taken by the Secretary of Defense will correct major inefficiencies in enlistment screening. Not only will money be saved, but the quality of recruits will improve.

More Effective Promotion of U.S. Exports

To promote U.S. products in overseas markets, the Commerce Department stages trade shows—exhibitions of these products—in centers in developed countries. During fiscal year 1977, out of \$10.5 million budgeted for overseas export promotion, the Department allocated about 23 percent to trade center events.

A followup to our 1971 study on overseas trade exhibitions found that many trade fairs in Western Europe and Japan feature the same products in the same country as the Commerce trade center shows. Commerce officials said many trade fairs were similar to trade center shows, but, because of their international recognition, the fairs offer the potential for wider impact than do Commerce's events. The fairs also offer opportunities for displaying products too large for the display areas at trade centers.

U.S. firms participating in Commerce-sponsored trade fairs reported higher sales than those exhibiting in trade center shows. Further, trade center shows were not very effective for introducing new firms to the exporting business. Therefore, we suggested that the Department consider closing its trade centers in developed countries.

Commerce closed its Frankfurt trade center and opened a small facility in Cologne to sponsor American

firms' participation in German trade fairs. The Department also plans to close a trade center in Sydney, Australia, and to open a center in Sao Paulo, Brazil, a developing-country market. Commerce officials credited our work for aiding their decisions on these trade centers.

Other Benefits

Some actions taken in response to our recommendations result in benefits other than financial savings. If the Congress enacts recommended legislation or if new agency regulations or procedures are adopted, day-to-day operations at Federal, State, and local levels may improve. Sometimes the actions directly enhance the well-being of individual citizens.

Withholding State Income Taxes From Military Personnel

Thirty-five States and the District of Columbia tax the pay of military personnel, but Federal law prohibited withholding the taxes. With the assistance of the District and Maryland, we made various tests to see (1) if military personnel were complying with tax filing requirements and (2) if they were having problems meeting their State income tax obligations without the pay-as-you-go privilege. Overall, the tests indicated that (1) about 45 percent of 201 personnel checked by the District and Maryland were not on record as having filed apparently required tax returns and (2) service personnel were having trouble paying their taxes. A test in other States confirmed the compliance problem.

We talked with various organizations in the Federal, District, and State Governments about the problem and action to correct it. In June 1974, the National Association of Tax Administrators (an association of State tax officials) unanimously decided to ask the Federal Government to withhold State income tax from military pay, for the benefit of both service personnel and the States.

In September 1975, the Advisory Commission on Intergovernmental Relations held hearings on the withholding issue. The Commission's final report incorporated our findings with its own study and data from other interested parties. The Commission estimated that withholding State income taxes from military pay and taking steps to insure that military residents can be properly taxed and that delinquent tax obligations are collected could increase State tax revenues by about \$100 million annually. In November 1975 the Commission voted to recommend that the Congress authorize the withholding.

FINANCIAL SAVINGS AND OTHER BENEFITS

In October 1975, with the help of an advance copy of our report (GGD-75-103, Nov. 19, 1975), Representative Steiger gained the approval of the House Ways and Means Committee on his proposal to authorize withholding of State and District income taxes from military pay. The Tax Reform Act of 1976, enacted October 4, 1976, authorized the withholding of State and District of Columbia income taxes from armed service personnel.

Military personnel should find it easier to meet their tax obligations and the States and the District should increase their tax revenues. The administrative costs of tax law enforcement should also be reduced.

Preventing Possible Conflicts of Interest

The Energy Research and Development Administration's Fossil Energy Organization awards contracts for various energy-related planning and analysis services. As recommended in our report, the Administration developed (1) a system for screening industry-developed data, which is furnished to the agency for evaluation or information but is not the property of the Government, before making such data available to management and technical support contractors and (2) new contract clauses which extend conflict-of-interest provisions to management and technical support subcontractors. These improved procedures should help prevent possible conflicts of interest and possible bias, and unfair competitive advantages.

Improvements in the Federal Power Commission's Central Filing

We reported to the Congress (EMD-77-7, Dec. 2, 1976) that many of the public and nonpublic files of cases handled by the Federal Power Commission were incomplete and sometimes lost. Since these files are the official record of the proceedings of the Commission, we recommended that its Chairman require a complete central file for each rulemaking procedure, with ready access by all interested parties.

On September 23, 1976, the Federal Power Commission Chairman approved Administrative Order No. 161, establishing the responsibility for providing professional records management services. On March 14, 1977, the Chairman said he had taken additional steps to improve the system. He gave the Secretary of the Commission direct administrative supervision and control over the central files and directed the Comptroller of the Commission to review the records management program and recommend actions.

These steps should improve both the content of these files and their availability to the public.

Improved Civilian Payroll Operations at an Army Installation

In a report to the Commander of Fort Belvoir, Va. (FGMSD-77-4, Aug. 11, 1976), we noted several internal control weaknesses in the Army standard civilian payroll system. Master employee records were inaccurate, payroll deductions were not substantiated by documents, and payroll duties were not appropriately separated among persons preparing the payroll, controlling the processing, and certifying payments.

The corrective actions taken will increase the accuracy of payroll records and reduce opportunities for fraud and undetected processing errors.

Closer Coordination in Assessing the Impact of Natural Gas Cutbacks

We reported to the Congress (EMD-77-12, Jan. 13, 1977) on Federal Power Commission and Federal Energy Administration actions to assess the impact of natural gas curtailments during the 1976-77 winter. The report disclosed that although both agencies were gathering data and working to minimize the economic impact of interruptions in the flow of natural gas, a more coordinated effort was needed to improve their reporting and planning. We recommended that the Chairman, FPC, and the Administrator, FEA, jointly delineate the tasks of their respective agencies in assessing the impact of future natural gas cutbacks. We also recommended that FEA participate with FPC in gas pipeline curtailment hearings when invited to do so.

On March 26, 1977, the Chairman reported that a detailed interagency agreement for the exchange of certain natural gas data had been worked out with the Federal Energy Administration, and on June 13, 1977, the Administrator stated the two agencies had agreed to a "memorandum of understanding" concerning the general policy and procedures the agencies will follow in cooperative efforts. The Administrator further stated that his agency would assist the Commission in natural gas curtailment proceedings as requested.

More Equal Employment Opportunities at Government Contractors

Equal employment opportunity requirements imposed on Federal contractors are based on Executive Order 11246 and are administered by the Department of Labor's Office of Federal Contract Compli-

ance Programs (OFCCP) and several other Federal agencies which are designated as compliance agencies.

In two reports (MWD-75-63, Apr. 29, 1975, and MWD-75-72, Aug. 25, 1975), we recommended improvements in the compliance programs. OFCCP has implemented several of our recommendations by emphasizing monitoring of the nonconstruction program, improving program guidelines and operating instructions to the compliance agencies, establishing a compliance officer training program, reviewing affirmative action programs approved by compliance agencies, developing a system for identifying and classifying Federal contractors subject to EEO requirements, and encouraging compliance agencies to enforce requirements more vigorously. One enforcement measure—show-cause notices—more than tripled during fiscal years 1975 and 1976 over the preceding two years. Also in response to our recommendations, the Department of Health, Education, and Welfare improved its compliance operations at colleges and universities.

We believe that these improvements have strengthened program administration and enforcement and should increase employment opportunities for minorities and women.

Reduction of Funds Requested To Liquidate Overobligations

The House Appropriations Committee asked us to evaluate the reasonableness of a \$21.5 million projected overobligation in the Army's fiscal year 1973 "Other Procurement" appropriation. The Army had notified the Congress in February 1977 that it was in violation of R.S. 3679 of the Anti-Deficiency Act and had requested authority to transfer \$21.5 million from other appropriations to liquidate the overobligation.

This figure comprised about \$4.5 million of past overobligations and about \$21 million of anticipated increases to open contracts. We found that some of the increases could be billed and collected from customers, and other increases should be charged to other appropriations.

We informed the Army of our findings, and after reviewing all contract increases, it reduced its request for transfer authority by \$5.6 million.

Safer Consumer Products

The Consumer Product Safety Commission was not ensuring that industry complied with safety requirements; therefore, consumers were not being protected from hazardous products. The Commission had failed to (1) ensure that manufacturers, importers, and packagers were identified and then notified of safety

requirements, (2) perform followup inspections to verify compliance with safety requirements, and (3) evaluate the effectiveness of its compliance actions.

Further, Commission regulation of toys had stopped, because safety requirements did not accurately define hazards and the Commission had not issued toy testing procedures. Finally, Commission procedures for developing and processing criminal cases did not meet the Department of Justice's requirements. (HRD-76-148, July 26, 1976.)

The Commission (1) implemented procedures to ensure that its compliance activity is adequately planned, implemented, and evaluated, (2) issued toy-testing procedures and is proposing toy requirements that better define hazards, (3) identified the Justice Department's basic criteria for accepting cases for prosecution, and (4) developed procedures for promptly opening, closing, and processing cases.

Better Documentation for Exempting Contractors From Submitting Cost/Pricing Data

In a January 1976 report to the Secretary of Defense, we stated that contracting officers had not complied with all Armed Services Procurement Regulation requirements in granting catalog exemptions. The Defense Contract Audit Agency's audit coverage of Hewlett-Packard's claims for exemption was not of sufficient depth. We also took issue with (1) the Department's position on the period of time for which catalog sales data should be submitted and (2) the propriety of Hewlett-Packard's denying Defense discounted prices comparable to those it gave to certain other customers.

In meetings with Defense in May 1976, Hewlett-Packard agreed to better document its discount structure, reveal at least 1 year's data from the commerciality report, and permit a periodic validation of that report. These actions will allow greater reliance on the commerciality report and reduce the work of the contractor and the Government. In addition, Hewlett-Packard also agreed to permit a Department review to ensure that its discounts are justified.

Improving Selection of Research Proposals

The National Science Foundation relies on scientists and educators to evaluate the merits of research grant proposals. In fiscal year 1976 the Foundation provided about \$673 million for research.

Our reports (MWD-76-26, Oct. 14, 1975, MWD-75-84, Nov. 5, 1975, and MWD-76-78, Jan.

FINANCIAL SAVINGS AND OTHER BENEFITS

12, 1976) pointed out that improvements were needed so the Foundation's peer review system could select the most meritorious proposals.

Changes in the National Science Foundation's system resulted from our reviews, a Foundation study, and congressional interest:

1. Establishing guidelines for selecting reviewers, to insure broad representation of views and affiliations and to avoid the appearance of conflicts of interest.
2. Providing review comments upon request to the prospective grantee and emphasizing that the reasons for the Foundation's action on a proposal are available.⁴
3. Establishing review boards to insure that proposals have been reviewed for quality, utility, cost, and conformity to program objectives; recommended actions are adequately justified and documented; and policy and administrative questions have been identified and resolved.

More Accountability and Control for Nuclear Warheads

An audit of the Department of Defense and the Energy Research and Development Administration nuclear weapon accountability systems showed they were functioning properly and have controls adequate to prevent erroneous data from entering the systems. We noted that the Defense Nuclear Agency could improve its inspections and that military installations could strengthen their inventory procedures.

In a report to the Congress we recommended that (1) the Defense Nuclear Agency independently select each nuclear-capable unit for inspection at least once every 5 or 6 years, (2) installations strengthen inventory procedures, and (3) the agencies determine the feasibility of moving serial numbers to a more accessible place on the warhead or designing containers with a window through which serial numbers would be visible.

The Defense Nuclear Agency agreed to insure that each nuclear-capable unit is inspected at least once every 5 years and to increase its role in selecting units to be inspected. Also, a review of nuclear weapon inventory procedures is in process and our recommendations will be considered. Finally, the Department agreed to consider the feasibility of using windows in future warhead containers.

Upgrading Internal Audit

We reported to the Administrator of Veterans Affairs that his agency's internal audit inadequately cov-

ered internal financial operations, contrary to the Accounting and Auditing Act of 1950. We also told him that among Federal audit organizations, the Veterans Administration's Internal Audit Service ranked last in the ratios both of auditors to agency employees and of auditors to agency appropriations and was farthest removed organizationally from its agency head.

He decided to place internal audit at a higher organizational level, in a new Office of Inspector General. In addition, the Administrator has requested 205 additional staff positions.

Improved Use Of and Relationship With Federal Contract Research Center

In a September 1976 report to the Secretary of Defense we questioned the Department's use of and relationship with the MITRE Corp., Bedford, Mass., a Federal contract research center. We found that:

- The Air Force Electronic Systems Division did not determine if other organizations could have competed for the work MITRE did.
- MITRE was not restricted to important projects requiring its particular capabilities in accordance with Division regulations.
- MITRE's diversification program had reached the point established by the Air Force to signal lessening of MITRE's usefulness to the Air Force.

The Commander of the Division has revised (1) operating procedures, to insure that future work is thoroughly reviewed and justified before it is assigned to MITRE and (2) regulations, to emphasize that the Commander's judgment must be justified and documented for inclusion in the research center review when dealing with the restricting of MITRE work to selected important projects.

Our report also influenced Defense's decision to separate the MITRE operations in Washington, D.C., from MITRE operations in Bedford. MITRE-Washington will no longer have a research center relationship with the Defense Department.

Strengthening Grain Inspection

Our report to the Chairmen of the House Committee on Agriculture and the Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry (RED-76-71, Feb. 12, 1976), described serious weaknesses in the U.S. grain inspection system. The system lacked integrity, uniformity, consistency, and independence from the grain industry, and was fraught with conflicts of interest.

Since the Department of Agriculture had been unable to insure the system's integrity, an essentially all-Federal inspection and weighing system was needed. We recommended that in developing the all-Federal system, the Department consider several actions: prohibiting conflicts of interest, increasing penalties for violations, providing adequate controls, integrating weighing and inspection, improving research and training, and providing uniform employment standards.

The Grain Standards Act of 1976 (Public Law 94-582), enacted in October, established the Federal Grain Inspection Service in the Department of Agriculture; made grain weighing a part of the system; provided for a Federal export inspection system, with some State involvement; and provided for standards and procedures which generally followed our recommendations. Also, the Department took a number of actions to improve the handling of foreign complaints and of research and development of grain standards.

The new law and the other actions should go a long way toward restoring the system's credibility, promoting orderly grain marketing, protecting buyers' and sellers' interests, and building confidence in the quality and consistency of U.S. grain in domestic and world markets.

Better Health Monitoring Programs for Laboratory Employees

On October 8, 1976, we reported to the Congress that many laboratory personnel at the Environmental Protection Agency were exposed daily to potentially harmful substances. Many of these substances are known or suspected to be cancer causing or are powerful irritants or depressants that can cause tremors, convulsions, or death. Employees suffered various harmful effects without adequate health monitoring by the Agency.

We recommended inspections and subsequent health surveys of EPA laboratories as a basis for health-monitoring programs. We added that the organizational alignment of the health activity should be improved and the necessary staffing and training should be provided.

EPA acted to establish a comprehensive, agencywide health-monitoring program.

Procedures To Improve Responsiveness To Air Safety Recommendations

The Federal Aviation Administration did not always promptly and effectively implement National Transportation Safety Board recommendations to im-

prove air safety. In line with our recommendations, FAA revised its procedures to provide for review, followup, and monitoring of actions promised in response to the safety recommendations. These procedures include quarterly reports to the Administrator on the status of action on Board recommendations. FAA also reestablished its Regulatory Council, to assign priorities and monitor progress.

Federal Aviation Administration Improves Employee Financial Disclosures

Our August 1976 report to the Congress stated that FAA's financial disclosure system lacked (1) acceptable criteria for determining which employees should file financial disclosure statements and (2) adequate procedures for reviewing and administratively processing the statements. In addition, regulations allowed employees to hold, without disclosure, financial interests which could represent a conflict of interest, as long as their value did not exceed either \$5,000 or 1 percent of a company's outstanding stock.

Our recommendations resulted in revised regulations requiring disclosure of all financial interests, regardless of amount, and new criteria to determine which employees should file statements. Also, a consolidated reporting system is being established to better collect, review, and control financial disclosure statements. These actions should help remove any actual conflicts of interest or the appearance of them.

Public Buildings More Accessible to the Handicapped

The Architectural Barriers Act of 1968 was to insure that federally financed public buildings are accessible to the physically handicapped. Our report to the Congress in July 1975 discussed the need for certain legislative and administrative actions to fulfill the act's purpose. We recommended specific language for clarifying the law.

Public Law 94-541, approved October 18, 1976, adopted our recommendations for strengthening the Architectural Barriers Act by imposing a clear mandate that Federal agencies insure public buildings' accessibility. The new law made all Government-leased buildings and facilities intended for public use, those in which the physically handicapped might be employed, all public housing leased by the Government, and the facilities of the U.S. Postal Service subject to the 1968 act.

Upward Mobility Increased in the Air Force

Our April 1975 report to the Congress addressed the need for more effective Federal agency planning of upward mobility, such as systematically identifying and analyzing job patterns which prevent lower level employees from advancing into jobs which would more fully utilize their skills, knowledge, or potential. The report also stressed the need for top management support of such programs, the identification of future manpower needs and target jobs, and skills utilization surveys.

New regulations dealing with base-level career management and upward mobility address our concerns and incorporate requirements for the specific occupational analysis we described. The guidance provided to unit commanders and personnel officers should enhance lower level employees' opportunities to move up.

Upgrading the National Defense Reserve Fleet To Provide Defense With Increased Sealift Readiness

In a report entitled "The National Defense Reserve Fleet—Can It Respond to Future Contingencies?" we pointed out that ships in the reserve fleet are merely kept as they are when deactivated and delivered to the fleet sites. Ships in this condition could not possibly be reactivated in time for emergency sealift transportation. We recommended that the Department of Commerce upgrade the fleet and develop long-range plans to acquire newer replacement ships as they become available.

The Departments of Defense and Commerce are jointly sponsoring a program to upgrade 30 ships in the National Defense Reserve Fleet, starting with \$5.2 million appropriated in 1977. The 30 ships to be upgraded will be able to respond in 5 to 10 days, leaving the Nation better prepared for emergencies.

Improvements in Program To Treat Alcoholics

The U.S. Postal Service's "program for alcoholic recovery" was hampered because (1) written top-management support was lacking, (2) the Postal Service had not determined if this or some alternative would be its official program for dealing with employee alcoholism, and (3) many employees did not have access to the program.

In April 1976 memorandums, top postal officials affirmed their support for the program as the official

program for dealing with employees' alcoholism, and directed that it be implemented in 35 more post offices, covering an additional 150,000 employees.

Based on our recommendations, the Postal Service has also acted to improve program management by

- restructuring the program to provide managerial accountability in field offices, while maintaining the responsibility for program configuration, policy determination, and functional guidance at headquarters,
- initiating a program to train supervisors on how to handle alcoholism,
- extending postrecovery followup,
- establishing measures to evaluate the program's effectiveness in individual units and nationwide, and
- emphasizing that consistent disciplinary action must be taken against alcoholic employees who refuse to participate.

The above factors should improve program effectiveness and result in more alcoholically affected postal employees' returning to a useful, productive status.

Better Management and Utilization of Storage Facilities

We recommended that the Secretary of Defense instruct the services to reevaluate their war reserve requirements and implement a plan to provide adequate storage capacity. We also recommended that the plan be prepared and distributed before the start of fiscal year 1978, so that (1) emergency distribution plans can be prepared and issued and (2) inventory managers are aware of the required levels of war reserve stocks.

Our followup procedures disclosed that the Defense Fuel Supply Center completed two studies of storage facilities which resulted in (1) better pre-positioning of war reserve stocks and (2) conversion of storage tanks from one fuel to another. In addition, these studies have helped set up a means of measuring fuel storage more accurately by indicating the actual usable capacity of each storage tank.

The Defense Fuel Supply Center has mechanized the publication of the inventory management plan, and the document is now being distributed faster. In addition, the plan describes storage capacity for each location in greater detail.

Increasing the Readiness of Harrier Aircraft

Our report, "Problems in Supporting Weapons Systems Produced by Other Countries" (LCD-77-450,

Jan. 4, 1977), addressed the need for better logistics and maintenance support in future foreign procurements of weapons systems. We examined the Marine Corps' AV-8A Harrier aircraft program as an example of the logistics and maintenance support problems that hamper operational readiness. We recommended that the Department of Defense provide additional guidance for future foreign procurement of major weapons systems.

According to the Assistant Program Manager for Logistics for the AV-8A Harrier program, our work helped point out the Harrier program's logistics support problems. Our report was instrumental in the reprogramming of \$15 million of authorized defense money to aid the Harrier support program. These funds will significantly increase the Harrier's operational readiness.

We also reported that eight aircraft had been removed from the operational fleet and were in outside storage—most for 6 months or more—awaiting depot-level maintenance.

Due to our work, these aircraft were more quickly inducted into the depot. Six of these aircraft have been returned to squadron activity and the remaining two are to be inducted during the last quarter of fiscal year 1977.

Actions Taken To Improve the Coal Mine Dust Sampling Program

In response to the request of the Chairman, Senate Committee on Labor and Public Welfare, we reported

to the Congress (RED-75-56, Dec. 31, 1975) on problems in the Mining Enforcement and Safety Administration's dust sampling program. With the aid of the National Bureau of Standards, we identified the possible inaccuracy of dust sampling equipment. Furthermore, operators and miners followed improper or inadequate procedures in taking samples and technicians made errors in weighing dust-sample cassettes. Finally, the Department of the Interior was inconsistently assessing penalties for violations. In line with our recommendations, the Administration and the Bureau of Mines took actions to improve the dust sampling program. Bureau actions included (1) awarding development contracts for a tamperproof dust sampler cassette which would show how long the cassette had been in use and (2) agreeing that the Bureau would develop protocol for determining the precise reliability of current dust sampling equipment. Mining Administration actions included (1) revising the inspection procedures to allow Mining Administration inspectors to observe mine operators' dust sampling procedures, (2) explaining sampling procedures to over 10,000 United Mine Workers safety coordinators and safety committeemen; issuing explanatory brochures to over 250,000 miners, mine operators, and industry officials; and publicizing the program by radio and television, and (3) improving procedures for consistent penalty assessments.

These steps should help reduce the incidence of black lung victims in coal mines by improving Mining Administration dust sampling and assessment programs.

CHAPTER FOUR

LEGAL SERVICES

Under the direction of Paul G. Dembling, the Office of the General Counsel assisted the Comptroller General in carrying out responsibilities for interpreting laws governing public expenditures.

Apart from the information gathering, analysis, and reporting aspects of GAO operations, the Comptroller General serves as the Government's final arbiter of the legality of public expenditures and the justness of claims by and against the Government. He provides final and binding decisions to Government officers who are accountable for public funds they administer, to heads of departments and agencies about programs they implement, and to individuals making monetary claims against the Government. He decides controversies between agencies and businesses concerning entitlements to Government contracts—generally referred to as "bid protests."

Members of Congress and committee chairmen are supplied with opinions on the legality of agency activities and on legislative options. Legal advice is also given continuously to GAO divisions. All reports receive a thorough legal analysis to assure that their positions and recommendations are consistent with statutory requirements.

The Office of the General Counsel informs the Congress of executive branch impoundments of available budget authority and otherwise assures compliance with the Impoundment Control Act of 1974.

Research to fulfill our decision and opinion writing function is provided by our Legal Information and Reference Service. To help this section process its work and to make research materials more accessible, we are

investigating automatic data systems for correspondence control and computerized index operations. We have also contracted with a private company to microfiche all of our legislative histories, to preserve them and to make them readily available.

We have received a report from the independent consultants commissioned to survey our bid protest process, to make our management of the process more responsive to the needs of the agencies and the public who refer matters to us for determination. We will implement a number of the consultants' recommendations in the coming year.

The activities described resulted in the disposition of 5,571 separate legal matters during the year. (See table 1.)

Table 1

Procurement Law	2,110
Personnel Law:	
Civilian	917
Military	355
Transportation Law	244
General Government Matters	1,050
Special Studies and Analysis	895
	<hr/>
Total	5,571
	<hr/> <hr/>

These legal matters produced the quantity and types of responses shown in table 2.

Table 2

Decisions rendered to:	
Heads of departments or agencies	883
Certifying, disbursing, or contracting officers	232
Individual claimants	2,443
	<hr/>
	3,558
	<hr/>
GAO internal matters:	
Reviews of audit reports	669
Memorandums to divisions and offices	1,133
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	1,802
	<hr/>

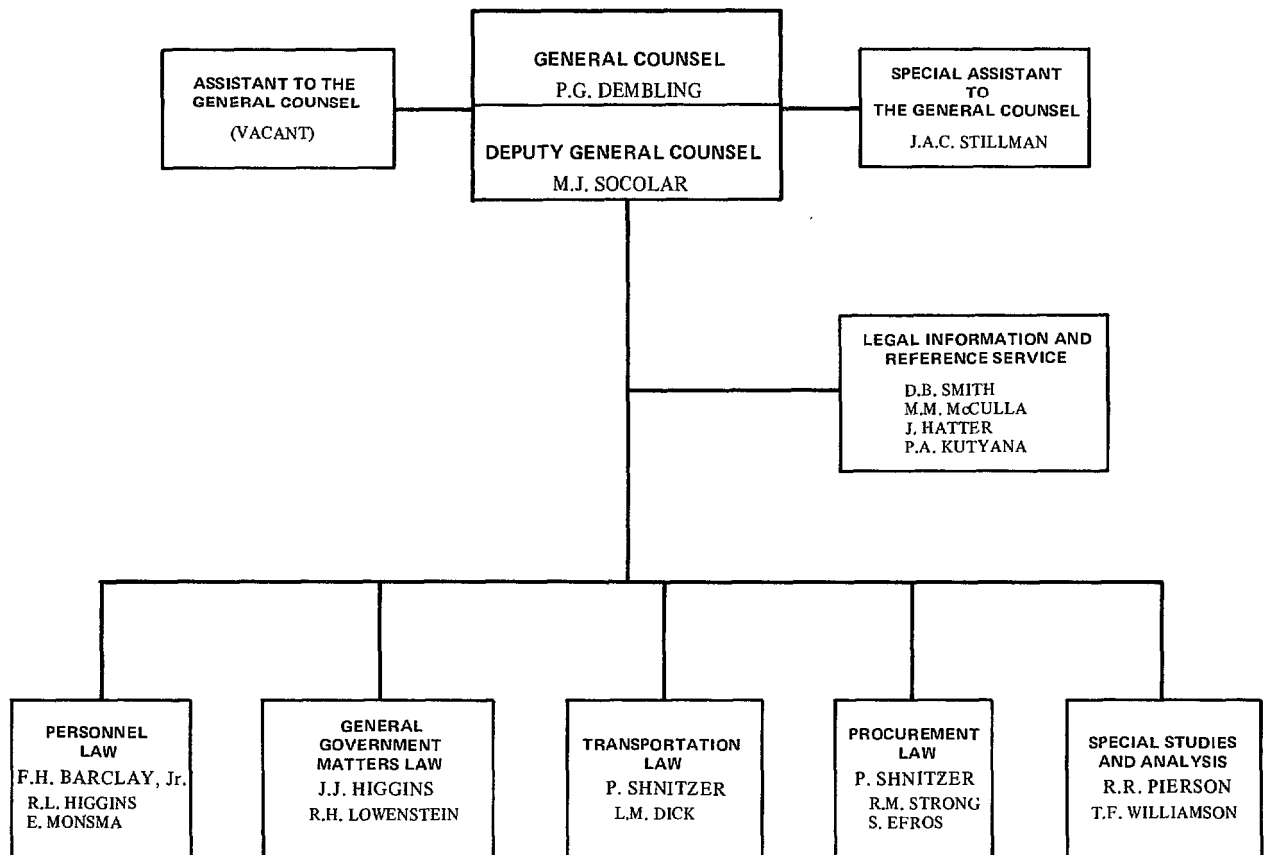
Congressional requests:	
Opinions	514
Comments on legislation	244
	758
Miscellaneous:	
Circular letters	26
Litigation reports (Attorney General or court of claims)	365
Comments on procurement regulations	45
Advice or opinions to the Office of Management and Budget	17
	453
Total responses	6,571

By statute, the Congress established the San Luis Unit Task Force, with the Comptroller General as a member, and assigned it the task of determining whether the San Luis unit of the Bureau of Reclamation's Central Valley project is complying with law. Working with GAO auditors, we provided extensive legal assistance in preparing the task force's report, including several recommendations for legislative change.

We prepared a number of decisions for congressional use. In one decision, we examined sugar price support regulations proposed by the Department of Agriculture and concluded that they allowed illegal direct payments to sugar producers. The regulations were withdrawn in response to this decision. In the energy area, we prepared a decision supporting the Secretary of the Interior's right to require royalty payments to the United States on oil and gas withdrawn from public property, even though the oil or gas is unavoidably lost or used for purposes of production. We similarly concluded that funds appropriated for an electric and hybrid vehicle development program must, as specified in the legislation, be used for demonstration

General Government Matters

In the past year, our general government attorneys worked on a wide variety of questions presented by the Congress, other agencies, and the public.



SEPTEMBER 30, 1977

LEGAL SERVICES

purposes, despite past expressions of congressional intent that they be confined to research and development.

A number of our decisions were prepared in response to questions raised by other agencies. A decision for the Treasury Department held that the practice of using Treasury or Commodity Credit Corporation revolving funds to buy foreign currency for overseas congressional travel was unauthorized by law. In a case with Government-wide applicability, we held that, in certain circumstances, Federal agencies could reimburse grantees for costs incurred before Federal funds were available. For easier sales transactions, we decided in another case that the Government Printing Office could legally accept credit cards. And as concern was growing over fair treatment of the handicapped, the Civil Service Commission was advised that agencies providing training for their employees could fund extra facilities to make training accessible to the handicapped.

Our work with GAO divisions and offices included legal support in preparing reports for the Congress on the administration of concession operations at parks administered by the National Park Service. The report concluded that the Park Service review of concessionaire requests for rate increases was not always adequate and that the public should have both notice and opportunity to be heard on proposed rate increases for unique concessions, such as the Washington Tourmobile. We assisted another GAO division in its audit of the Ford-Carter transition, looking for possible improvements in the Presidential Transition Act. With another division, we negotiated an agreement with the Treasury, giving GAO access to information arising from the Exchange Stabilization Act even though we cannot audit the fund itself.

Finally, we are often asked to review legislation and to recommend changes. Our review of the Anti-Pinkerton Act concluded that it no longer serves a useful purpose. We are developing legislative recommendations to cure some difficulties in the payment of judgments in litigation where the United States is the defendant and the Comptroller General must certify payment of the judgment.

Procurement Law

In the past year, the Procurement Law division processed 2,110 legal matters pertaining to the acquisition, lease, sale or disposal by the Government of its goods, services, equipment, buildings or other facilities. Of these, 1,664 were bid protest submissions in which contractors aggrieved by agency procurement actions sought an independent, expeditious, and inex-

pensive review of their complaints. The remaining 446 cases involved other questions within our broad jurisdiction. See table 3.

Table 3

BID PROTEST ACTIVITY

Disposition of cases handled:	
Protests sustained.	97
Protests denied.	723
	820
Protests withdrawn before decision.	435
Miscellaneous dispositions	258
Protests dismissed.	151
	844
Total bid protests disposed of.	1,664
Distribution of protests formally decided:	
Defense Communications Agency	2
Defense Logistics Agency.	74
Department of the Air Force.	98
Department of the Army.	147
Department of Defense	1
Department of the Navy.	114
Marine Corps.	6
	442
ACTION	3
Agency for International Development.	2
Civil Service Commission.	1
Department of Agriculture.	31
Department of Commerce.	22
Department of Health, Education, and Welfare. . .	27
Department of Housing and Urban Development. .	7
Department of the Interior	23
Department of Justice.	5
Department of Labor.	10
Department of State.	4
Department of Transportation	28
Department of the Treasury.	5
District of Columbia Government.	13
Economic Development Administration.	1
Environmental Protection Agency.	14
Energy Research and Development Administration .	5
Federal Communications Commission.	1
Federal Trade Commission.	3
Government Printing Office.	9
General Services Administration.	101
Internal Revenue Service.	1
Library of Congress	1
National Aeronautics and Space Administration . .	18
National Science Foundation.	1
Panama Canal Company.	1
Securities and Exchange Commission.	1

Distribution of protests formally decided—Continued	
Small Business Administration	11
Smithsonian Institution	3
Tennessee Valley Authority	4
United States Information Agency	2
Veterans Administration	20
	<hr/>
Total other than Defense	378
	<hr/>
Total protests formally decided	1,664
	<hr/> <hr/>

We have considered a growing number of protests involving contractual awards for the automatic data processing needs of Federal agencies, which often require sophisticated and complex judgments in a constantly changing field. In one case, the Securities and Exchange Commission awarded a contract for a vendor-operated automated document filming, storage and retrieval system. In the course of its determination, the agency gave one, but not all, of the bidders an opportunity to clarify an ambiguous provision in its proposal. We held that the failure to allow all bidders the same consideration was a material deficiency, and we recommended that the contract be terminated and the procurement resolicited. In another case, we considered and reconsidered a protest to the award of an automatic data processing contract which covered a 65-month period. We recommended the contract be terminated and the procurement be resolicited. The awardee had submitted a proposal which was technically unacceptable and which contained a provision for the payment by the Government of "separate charges" in the event of early termination. This would result in uncertain liability, a violation of the funding statutes.

The Court of Claims has long held that under certain circumstances, a bidder deprived of a contract can be allowed to recover the cost or expense of preparing its bid proposal. We have allowed this relief in all cases referred to us. This, we believe, is an important step forward for the protection of those who compete for Government contracts. Thus, we allowed the recovery of bid preparation costs to a competing bidder who, by agency action, had been unfairly deprived of a contract to make dockside repairs to a Coast Guard cutter. In another instance, we granted this relief to an unsuccessful bidder because the agency awarded the contract to a competitor whose price would be lower only if the agency exercised an option. No provision was made in the solicitation for any evaluation of the option.

Questions relating to procurements which are set aside for small businesses are a continuing concern with us. In one such case, the low bidder for a proposed contract was tentatively rejected as lacking financial resources. Subsequently, the agency heard that

the bidder, which had certified itself as a small business, would become the wholly-owned subsidiary of a large corporation and, on the basis of this, awarded the firm the contract. The acquisition took place, but 3 weeks later, the Small Business Administration determined that the bidder was not a small business. We recommended the contract be terminated on the theory that a contracting officer who discovers facts which might impeach a small business self-certification has a duty to file a direct size protest with the SBA even after award, to prevent abuse of the procurement process.

Questions relating to procurements with Federal grant funds come to us with increasing frequency. The Environmental Protection Agency requested that we review the propriety of grantees using specifications which excluded certain methods of prestressing concrete sewage tanks. We found the exclusion not unreasonable; however, we recommended that the agency more actively pursue competition where Federal grants for sewage treatment plants are concerned.

Finally, we have long held that reprocurments, or purchases made to satisfy needs under defaulted contracts, need not be let after competitive bidding and that the contractor who is in default need not be considered as a possible source of supply. However, this year we determined that if and when a new competition for a reprocurement is held following default, the defaulting vendor is not excluded automatically, since to do so would constitute a premature and improper determination of non-responsibility.

Personnel Law

Civilian Personnel

A variety of statutes and regulations govern Federal civilian employees' rights and benefits. In the past year we have been asked for numerous decisions either in response to agency heads concerned about the propriety of such expenditures or in answer to claims by aggrieved employees. The examples which follow illustrate the extent to which decisions assure uniform and proper disposition of the rights and obligations of Government employees and the various agencies.

The Fly America Act and its regulations oblige Federal employees to use U.S.-flag air carriers for overseas air travel. We have held that personnel who travel officially must use such carriers from the point of origin to the farthest practicable interchange point on a customarily traveled route. A prorated payment formula was established for assessing liability for the improper use by Government employees of foreign air carriers. We allowed additional per diem for a delay

LEGAL SERVICES

in travel needed for using U.S. air carriers. While we require a Government employee to use such carriers between this country and points overseas—even if travel or embarkation between the hours of midnight and 6:00 a.m. is necessary—we have authorized a suitable rest period at the destination.

We are frequently called upon to determine how the Back Pay Act applies to employees whose pay is reduced. We have recognized in recent years that the act can provide a remedy for omissions which result in loss of pay—as in the case of improper failure to promote—as well as for wrongful reductions of pay. We confirmed an earlier decision that Federal employees detailed to higher grade positions for more than 120 days without Civil Service Commission approval are entitled to retroactive temporary promotions with backpay, from the 121st day to the termination of the detail.

We interpreted the statutes which authorize garnishment of the salary of a Federal employee to satisfy child support and alimony obligations. We held that a Federal agency may be liable for its failure to withhold money pursuant to a valid garnishment order. A judgment against the agency may be satisfied from the judgment appropriation created by 31 U.S.C. 724(a).

Finally, in support of the governmental policy of not discriminating because of physical handicap, we allowed reimbursement of the cost of a traveling companion when a handicapped Federal employee who is incapable of traveling unattended is required to perform official travel.

Military Personnel

A complex system of statutes and regulations governs the entitlement (to pay, allowances, retirement, and survivor annuities) to members of the Armed Forces and commissioned officers in the Public Health Service and the National Oceanic and Atmospheric Administration. Pay is affected by length of service, grade or rank, and the type of duty involved, such as sea duty, hazardous duty or overseas service. Persons with scarce or critical skills, such as doctors, dentists, pilots, or nuclear specialists may be entitled to special pay or bonuses. Frequently, questions arise from the individual's entitlement to reimbursement of travel costs on temporary duty stations. Finally, retirement pay may be affected by length of service, the extent of physical disability, or the retiree's election to accept reduced retirement pay to provide annuities to dependents. Since these laws and regulations cannot cover every circumstance, our attorneys answer questions on entitlements.

We advise the Congress, other agencies and divisions in GAO about these matters; we interpret new laws;

we recommend changes to make statutes or regulations more equitable or efficient; and we assist the Department of Justice in its defense of the many court cases brought each year which involve military personnel law questions.

As in previous years, we considered a number of matters involving potential conflict of interest. Replying to a request from Congress, we held that a *prima facie* case of selling would be made out, under a law compelling forfeiture of retirement pay, where retired officers in the Armed Forces employed by defense contractors contact Department of Defense personnel who can influence procurement decisions at social functions sponsored and presented by the contractors. In another case, we held that an officer on terminal leave pending retirement would terminate his military appointment upon acceptance of a State civil office offer. Finally, we decided that the constitutional prohibition against officers of the United States accepting benefits from foreign governments would subject a retired Major General to loss of his pension if he accepted foreign employment.

A new statute which authorizes a partial quarters allowance for individuals without dependents allows payment to husbands and wives when both are members of the Armed Forces. However, it does not apply to persons living in Government family quarters, since Congress intended it to apply only to individuals assigned to lower value bachelor quarters, or those on sea or field duty.

We expanded our previous decisions on the Survivor Benefit Plan of 1972, which provides annuities for dependents of retired members of the Armed Forces who are deceased. We approved a method of calculating partial refunds of amounts paid into the Plan when the paid annuities are reduced because of replacement by Veterans Administration benefits.

Optometry and veterinarian officers in the Reserve who had entered on active duty after June 30, 1975, were not entitled to special pay because the authorized statute did not extend beyond that date. Also, veterinary officers educated under the Armed Forces Health Professions Scholarship Program were not eligible for increased basic pay for time spent in the program. Only students who, through this educational program, became physicians and dentists received special pay.

Transportation Law

A substantial share of our work on transportation law begins when carriers and forwarders ask the Comptroller General to review General Services Administration actions in auditing and adjusting payments to or-

ganizations that furnish transportation services to the Federal Government. GAO continues to receive claims by carriers and forwarders for property lost or damaged during the transportation process and oversees use of travel agencies for Government employees' official travel. We assist in implementing and enforcing (1) the Merchant Marine Act of 1936, which requires the use of American-flag vessels for travel on official business, and (2) the International Air Transportation Fair Competitive Practices Act of 1974, which mandates the use of American-flag air carriers for Government-financed freight and passenger transportation.

Our attorneys collected, analyzed, and prepared documentary evidence and testified in the U.S. Supreme Court, to help resolve the legal question of whether the Interstate Commerce Commission must consider cost evidence in allowing proposed increases in the motor freight classification bases for carriers. The Supreme Court upheld GAO's position that such evidence was relevant. This case, *National Classification Committee v. United States* (Docket No. 76-778, Apr. 18, 1977, 45 L.W. 3690) is a landmark decision in the field of transportation law.

Many of our decisions in the transportation area assure that the Government receives fair treatment at the hands of carriers. An example is the case of an employee's mobile home which had been delivered in a damaged condition. The transporter claimed that the injuries were caused by an inherent defect in the home itself. We held that the carrier had failed (1) to overcome the *prima facie* case of carrier liability for the damage and (2) prove that an inherent defect was the sole cause of injury.

In another case, we denied an ocean carrier's claim for earned freight charges for shipping two lots of canned nuts which arrived damaged in California, from New York through the Panama Canal. To protect the Government's interest, we withheld payment of the freight charges by setting off the amount of the Government's cargo damage claim, an action which the carrier claimed was improper. Our decision held this action was proper under the law of setoff, and the Government's right to deduct damages from freight charges is not limited to overcharges.

Special Studies and Analysis

The Special Studies and Analysis division is the primary "in-house" counsel to GAO's offices and divisions. This division also processes specialized congressional work; carries out GAO's impoundment control functions; responds to questions arising under the Privacy and Freedom of Information Acts; and engages in liti-

gation involving subpoenas of GAO documents and personnel.

Work during the year included advisory legal opinions, such as the one on the administration's plan to curtail the Clinch River Breeder Reactor Project. We found the procedure followed was contrary to law. Subsequently, the administration revised its plan. Under the Impoundment Control Act of 1974, we issued 28 separate reports to the Congress on more than 100 executive branch impoundments totaling some \$9.4 billion. A comprehensive report covered the act's first 2 years, with recommendations to improve administration. We provided assistance on legislation to reform the lobbying laws and prepared testimony given before the Congress.

Legal support for GAO divisions and offices ranges from answering telephone inquiries to drafting portions of audit reports. Examples include cooperating with auditors on the question of Federal agency law enforcement authority over Federal lands and developing comprehensive legislation on the law enforcement authority of all Federal agencies. Continuing support was provided to a GAO Banking Task Force in (1) drafting and negotiating audit agreements with three bank supervisory agencies, drafting and processing a report on these agencies, and drafting proposed legislation.

We helped to negotiate an agreement between the Canadian Auditor General and the Comptroller General to audit some contracts in Canada. We aided auditors reviewing the Indian Health Service's Indian sterilization program and determined that consent agreements did not conform to Department of Health, Education, and Welfare regulations and violated the Indians' rights. In the energy field, we analyzed major Federal programs, to help determine whether the administration's proposed changes in nuclear power policy are consistent with existing legislation.

Legal Information and Reference Service

The three sections of the Legal Information and Reference Service—Index-Digest, Index and Files, and Legislative Digest—provide a complete support service to help our attorneys and the staffs of other GAO offices and divisions carry out their daily work. Our many periodicals keep GAO, other Government agencies and departments, and the general public advised of legal or legislative developments which might affect them. We distribute advance copies of our decisions; prepare monthly pamphlets which summarize our decisions in specific areas; publish an annual volume of our decisions which illustrate novel or signifi-

LEGAL SERVICES

cant points of law or which are otherwise of interest and applicable throughout the Government; and distribute legislative materials introduced in and being considered by the Congress.

We make our Procurement Law decisions available for commercial publication and forward all of our decisions regularly to the Air Force Accounting and Finance Center in Denver, to be included in its computerized legal research service, Project FLITE (Federal Legal Information Through Electronics).

The Index-Digest section annotates and cross-references all GAO decisions; maintains an elaborate card index by which to locate them; provides personal and telephone research services as requested by the public; and, upon request, furnishes free copies of decisions.

In the past year, the section responded to 4,777 individual research inquiries and sent out 63,512 copies of decisions.

The Index and Files section logs, cross-references, indexes, and processes all incoming and outgoing letters and prepares daily reports of significant matters for GAO's offices and divisions. This year the section processed thousands of pieces of mail which included 18,546 decisions, reports and letters.

In the same period, the Legislative Digest section opened 13,858 legislative history files on public and private bills introduced the last day of the second session of the 94th Congress and the first session of the 95th Congress and processed requests for reports on 302 bills from committees and Members of Congress.

CHAPTER FIVE

FINANCIAL AND GENERAL MANAGEMENT STUDIES

Responsibilities

The Financial and General Management Studies Division

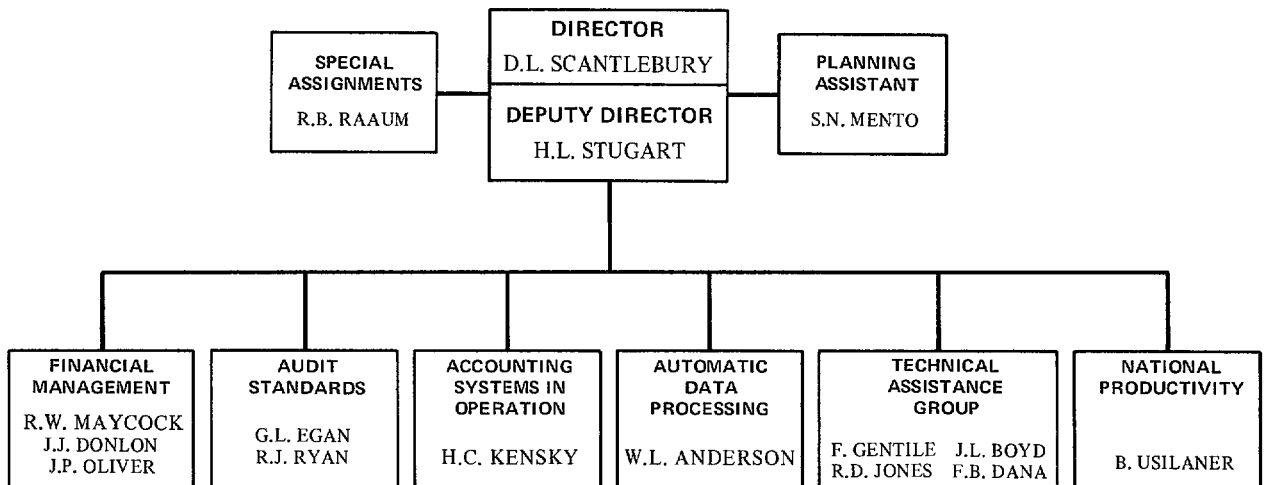
- helps Government agencies develop accounting systems that meet the principles and standards prescribed by the Comptroller General and recommends approval of the systems to the Comptroller General,
- reviews agency accounting systems in operation and the accounts of accountable officers (it does not, however, review military pay and allow-

- ances—GAO's Field Operations Division does this),
- reviews automatic data processing activities or programs Government-wide,
- provides expert technical and advisory services to other GAO divisions and offices in automatic data processing, systems analysis, actuarial science, and statistical sampling,
- promotes the improvement of auditing of Federal and federally assisted programs at all levels of government—Federal, State and local,
- reviews productivity efforts Government-wide,
- audits the activities of the Securities and Exchange Commission, and
- participates in the Joint Financial Management Improvement Program.

This division is headed by Donald L. Scantlebury, Director, and Harold L. Stugart, Deputy Director.

Approval of Agency Accounting Systems

The Budget and Accounting Procedures Act of 1950 requires the Comptroller General to approve executive



SEPTEMBER 30, 1977

FINANCIAL AND GENERAL MANAGEMENT STUDIES

agency accounting systems that are adequate and conform with the principles, standards, and related requirements prescribed by him. The approval process consists of first reviewing and approving the principles and standards under which the system is to operate and then evaluating and approving the system's design. The act also requires GAO to help executive agencies develop their accounting systems.

Two initial and 5 revised statements of accounting principles and standards, along with 21 accounting systems

designs, were approved during the fiscal year, as shown in table 1.

Accounting Principles and Standards

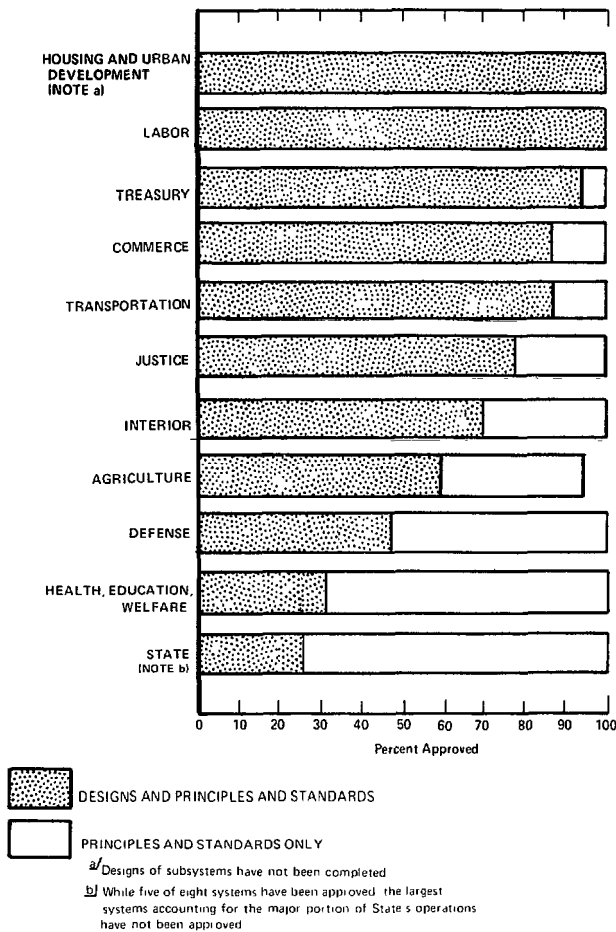
Principles and standards have been approved for 98 percent of agency accounting systems. Those not yet approved are 4 independent agency systems and 1 Department of Agriculture system. (See table 2.)

TABLE 1

	Approval date	
	Principles and standards	System designs
Civil departments		
Department of Agriculture:		
Agricultural Stabilization and Conservation Service	2-22-77	
Farmers Home Administration	^a 9-23-77	
Rural Electrification Administration	^a 9-23-77	
Department of Justice:		
Federal Bureau of Investigation		4-27-77
Bureau of Prisons' Automated Prisoners Deposit Fund		9-30-77
Department of the Interior:		
Southeastern Power Administration	^a 7-20-77	
Denver Inter-Bureau Payroll System		8-19-77
Department of State:		
Domestic and Western Hemisphere Payroll System		9-19-77
Department of Health, Education, and Welfare:		
National Institute of Education		9-30-77
Independent agencies		
Nuclear Regulatory Commission	5- 9-77	
Civil Aeronautics Board	^a 7-20-77	
General Services Administration, Federal Buildings Fund	^a 9- 1-77	9- 1-77
Environmental Protection Agency		9-30-77
Military departments		
Department of the Air Force:		
Commissary Trust Revolving Fund System		8- 3-77
Department of the Army:		
Corps of Engineers		7-21-77
Facilities Engineer Job Order Cost Accounting System		7-26-77
Cadet Pay System		9-19-77
Department of the Navy:		
General Accounting Fleet (Surface), Field Level		7-14-77
Reserve Pay System		7-21-77
Naval Academy Laundry Service		7-25-77
Naval Reserve Officers Training Corps Pay System		8- 3-77
Naval Armed Forces Health Professions Scholarship Program Pay System		8-23-77
Marine Corps Industrial Fund for Depot Maintenance Activities		8-30-77
General Accounting, Naval Air Stations (Class II)		9-12-77
Naval Academy Midshipmen Store and Services Division		9-12-77
Office of Secretary and Defense Agencies:		
Defense Logistics Agency, Industrial Fund (Clothing Factory)		9-29-77
Defense Security Assistance Agency, Military Assistance Program		9-29-77

^a Reapproval

TABLE 2
APPROVAL STATUS BY DEPARTMENT
At September 30, 1977



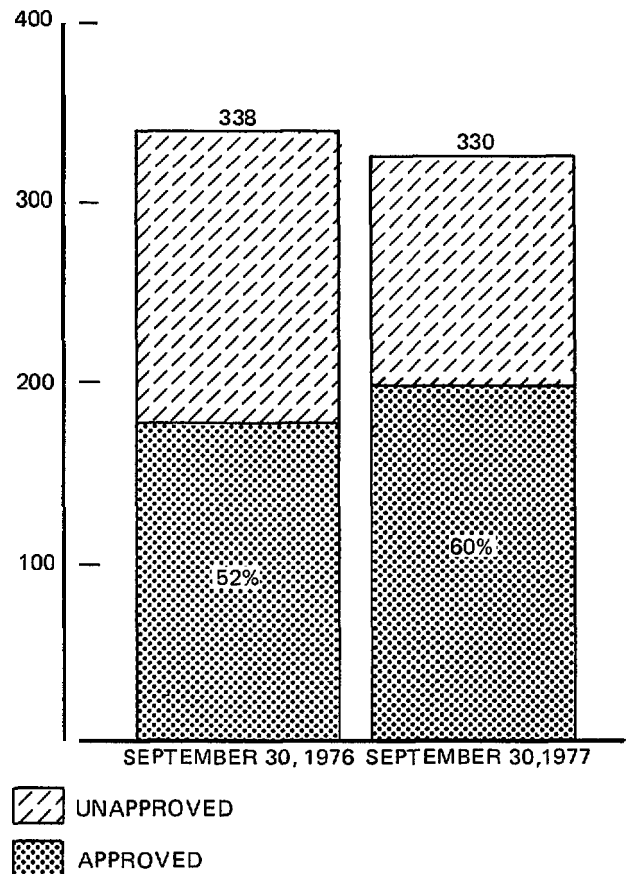
Accounting System Designs

The approval of 14 Department of Defense accounting systems and 7 civil department and agency systems during fiscal year 1977 brought the total number of system designs approved by the Comptroller General to 198, or 60 percent.

Reviewing Accounting Systems in Operation

The Budget and Accounting Procedures Act of 1950 requires GAO to review, from time to time, executive agency accounting systems in operation. The objectives of these reviews are to (1) determine whether they are operating in accordance with the principles, standards, and designs approved by the Comptroller General, (2) identify areas needing improvement and encourage such improvement, and (3) identify ways to improve overall financial management.

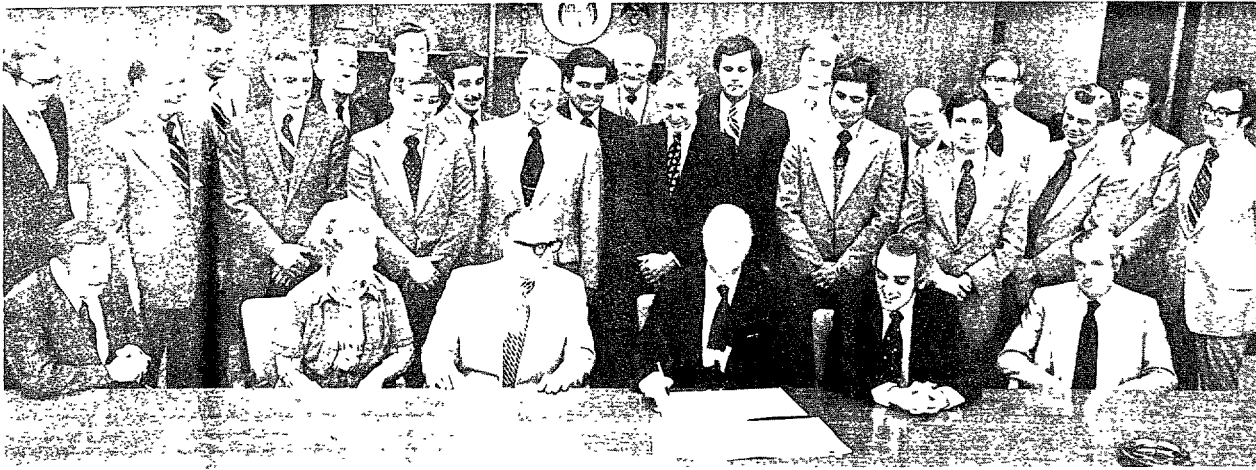
TABLE 3
ACCOUNTING SYSTEM DESIGNS
SUBJECT TO APPROVAL



During fiscal year 1977, we prepared 45 reports on accounting systems and financial management activities. Thirteen were submitted to the Congress and its committees and Members, and 32 were sent to agency officials. Actions taken during fiscal year 1977 on these reports and on reports issued in prior years will result in annual recurring savings of \$69,500,000 and one-time savings of over \$50,000,000. Some of these reports and related matters are discussed below.

Reimbursements for Foreign Military Training and Technical Assistance Services

Defense Department actions on our reports about Defense's recovery of the cost of student training and technical assistance services sold to foreign governments saved over \$73 million in fiscal year 1977 and will save over \$40 million in fiscal year 1978. The Chairman, House Committee on Appropriations, asked



Comptroller General Elmer B. Staats signing the approval letter for the accounting system design of the Federal Bureau of Investigation. Seated left to right are Robert F. Keller, Deputy Comptroller General; Mrs. Clarence M. Kelly; Mr. Kelly, FBI Director; Mr. Staats; Kevin D. Rooney, Assistant Attorney General for Administration; and Special Agent Joseph E. Battle. Standing are representatives of GAO, the FBI, and the Department of Justice.

us to review Defense's pricing, billing, collecting, and accounting systems for sales of training and technical assistance services to foreign governments. The recovery of the full cost of these sales is required by law. Defense actions on our report on sales of technical assistance services to Iran (FGMSD-76-64, July 13, 1976) will save the United States about \$35 million.

We also reported to the Congress that millions of dollars of costs incurred in training foreign students had not been recovered due to Defense's faulty pricing, billing, collecting, and accounting systems. Reacting to GAO and congressional concerns, Defense improved its pricing system in November 1975. However, it subsequently reduced tuition prices appreciably, effective October 1, 1976, despite objections by the House and Senate Appropriations Committees. We recommended that the Department rescind that order and attempt to recover from foreign governments amounts that should have been billed but were not. We also recommended various actions to improve billing, collecting, and accounting systems (FGMSD-76-91, Dec. 14, 1976). Actions by Defense on our recommendations to improve billing, collecting, and accounting saved over \$16.6 million.

Meanwhile, however, Defense went ahead with its October 1 reduction in tuition prices. In response to an October 19, 1976, request from a member of the House Committee on Appropriations, we estimated that this would cost the United States millions of dollars in fiscal year 1977 and we reiterated our previous recommendations. On the basis of our report, the Congress reduced the military services' Operation and Maintenance and Military Personnel appropriations

by \$8.4 million and \$13.1 million, respectively. (FGMSD-77-17, Feb. 23, 1977.)

On March 2, 1977, the Chairman, House Committee on Appropriations, asked Defense to reexamine its fiscal year 1978 budget request as it related to reimbursements for foreign military sales and requested us to review its reexamination. As part of the reexamination, Defense revised its pricing policies for foreign training, as we had previously recommended, estimating that this would increase fiscal year 1978 training reimbursements by \$40.3 million. We reported to the Chairman that the Department's estimate was reasonable and its pricing revisions were a major step in providing for the full cost of training the foreign students. (FGMSD-77-40, May 6, 1977.)

As of September 30, 1977, we were reviewing other pricing, billing, collecting, and accounting problems related to sales to foreign countries of equipment and spare parts and to charges for government-owned equipment used in producing items for sale to foreign countries.

Charges for Medical Care

The Department of Defense maintains military medical facilities overseas primarily for U.S. military personnel and dependents. The facilities also can be used by U.S. civilians, non-U.S. civilians working for the U.S. Government, and certain foreign civilian and military personnel and their dependents. To comply with the intent of the law, medical charges should be high enough to recover the costs of treating those who are not active and retired military personnel or their dependents.

We reported to the Congress that these facilities were charging token rates that resulted in annual losses of about \$12 million. We recommended that Defense revise the rates, using complete cost data. Subsequently, the Department of Defense instructed the military departments to increase rates charged U.S. employees overseas; it is revising its accounting system to provide the information necessary to develop more accurate reimbursement rates. We estimated \$4.4 million will be collected annually as a result of the increased rates. Additional savings should result when the new accounting systems produce better cost data to establish appropriate rates. (FGMSD-76-102, Mar. 8, 1977.)

Army's Financial Management Systems

As part of a review requested by the Chairman, House Committee on Appropriations, we reported that the Army had a serious breakdown in the financial management and control over its procurement appropriations, resulting in several violations of the Anti-Deficiency Act (31 U.S.C. 665). Overobligations totaling \$205 million in three appropriations have already been reported to the President and the Congress. The Army is preparing violation reports on two additional appropriations and is investigating eight others.

The Army has been trying to correct its financial records and identify specific causes of the violations but needs to conform its accounting systems with GAO's accounting principles and standards and submit its designs for approval. GAO is continuing its review to see if the Army is restoring integrity to its financial management systems. (FGMSD-76-74, Nov. 5, 1976.)

Mortgage Insurance for Military Personnel

Section 222 of the National Housing Act of 1954 authorizes the Department of Housing and Urban Development to insure lenders against losses on home mortgages guaranteed for military personnel. The Department of Defense pays the insurance cost—about \$2.5 million annually—for about 24,000 military personnel.

Because of its accounting system's weaknesses and complexity, the Government was spending about \$700,000 to transfer the premium funds from Defense to HUD. Also, the need for the section 222 program is questionable because (1) participants' salaries have increased substantially since program inception and (2) other housing subsidy programs are available to military personnel.

Estimating that its termination would save \$3.2 million, we recommended a joint study of the need for the

section 222 program. If the program is continued, income eligibility criteria should be established.

The Department of Housing and Urban Development agreed to simplify the accounting system controls and to study the need for continuing the section 222 program. The Department of Defense agreed to only minor system improvements. (FGMSD-77-12, Aug. 24, 1977.)

Collection of Mortgage Insurance Premiums

The Department of Housing and Urban Development charges a fee for insuring lenders against losses on home mortgages. The lenders collect the insurance premiums monthly from homeowners and, upon being billed, should annually pay the Department over \$300 million in premiums.

In May 1976 we reported on ineffective Department collection of past-due premiums and suggested ways to encourage lenders to pay promptly. In September 1977 we again reported that many lenders were still paying premiums late. The Department agreed to take action that could save as much as \$2.5 million annually in interest costs on Government borrowings.

HUD also agreed to further consider another recommendation requiring lenders to pay collected premiums monthly rather than annually, since this could save \$16.5 million annually in interest costs. (FGMSD-77-33, Sept. 8, 1977.)

Need To Improve Automated Payroll System

In 1977 we sent three reports to the Secretary of Health, Education, and Welfare describing the need to improve the following aspects of the Department's centralized payroll systems:

- The procedures for recovering salary overpayments made to civilian employees. (FGMSD-76-96, Jan. 5, 1977.)
- The subsystem used in paying military officers in the U.S. Public Health Service. (FGMSD-77-23, May 3, 1977.)
- The internal control procedures for producing prompt and accurate salary payments to civilian employees. (FGMSD-77-51, Sept. 22, 1977.)

The Department agreed with our recommendations and will try to collect overpayments of about \$157,000 to current or former employees.

Government-wide Reviews

In fiscal year 1977 we began reviewing accounting systems differently. We selected major financial statement items (cash, receivables, property, accounts pay-

able, revenue, etc.) and made Government-wide or multi-agency reviews of those parts of the accounting systems in operation that control and account for these items.

We undertook a major review of accounting systems and related procedures used to bill, collect or otherwise liquidate, record, and report accounts receivable by selected departments and agencies. As of September 30, 1977, we had issued seven reports to department and agency heads and were processing two more. As an example of what we were finding, our report to the Secretary of Health, Education, and Welfare stated that (1) more than \$742 million in overpayments was not reported as receivables and (2) many followup collection actions were not promptly made. (FGMSD-77-32, Sept. 6, 1977.) We were also developing a summary report to the Congress on the adequacy of executive agencies' accounting systems for recording, reporting, and collecting accounts receivable from the public.

Federally Chartered Organizations

The accounts of private corporations established under Federal charters must comply with the financial reporting requirements of Public Law 88-504. These organizations must be audited annually by public accountants and the reports submitted to the Chairman, House Committee on the Judiciary. GAO reviews these audit reports for the Committee and comments on their compliance with statutory audit and reporting requirements. During the fiscal year we reviewed 52 such reports. Where deficiencies were noted, we suggested that the Committee secure additional information.

Automatic Data Processing

The Federal Government spends over \$10 billion a year for computer activities. We report on the management and use of these automatic data processing resources, keeping in mind our principal objective of improving them. We are continually strengthening GAO's capabilities in this highly technical area.

This year we assisted the House Government Operations Committee by reviewing proposed new computer systems as well as the upgrading of existing computer systems.

We also assisted the Commission on Electronic Fund Transfers in its hearings and meetings on formulating positions on major public policy issues which surround the development and use of electronic fund transfers. The Commission issued its interim report, "EFT and the Public Interest," in February 1977; the final report was published in October 1977.

Computer Auditing

Because of Federal agencies' extensive use of computers, internal audit groups should help assure management that the computer systems are working and under adequate control.

We reported to the Congress that these groups should perform five types of computer-related audit tasks and that agency heads should require that those tasks be done. We also recommended that the Office of Management and Budget monitor agency progress in performing those tasks. (FGMSD-77-81, Sept. 28, 1977.)

Converting Computer Programs From One Computer to Another

Frequently, computer programs must be converted to make them compatible with another computer. The annual Federal cost of such conversions is estimated at more than \$450 million, and we estimate that over \$100 million of this could be saved with good conversion planning and practices. Further savings will depend on alternatives such as buying or sharing software and future developments, some of them technological.

In our report to the Congress, we recommended that the Office of Management and Budget help establish a Federal center for software conversion. We also made recommendations for improving new software development and programmer productivity. (FGMSD-77-34, Sept. 15, 1977.)

Testimony Before Congressional Committees

On September 28, 1976, we testified before the Senate Committee on Government Operations on issues related to administering Federal programs via computers. We stated the need for protection against the many types of threats and conditions that can cause catastrophic losses to Federal computer systems.

On September 28, 1977, we testified before the House Subcommittee on Consumer Affairs, Committee on Banking, Finance, and Urban Affairs, presenting information on computer crimes and security that relates to the safety and soundness of electronic fund transfer systems.

Technical Assistance Services

A centralized technical assistance group in this division provides special assistance to other GAO operating divisions and offices in making audits, studies, and evaluations. Technical experts provide analytical advice



A ribbon-cutting ceremony marked the official opening of GAO's remote job entry computer terminal room. Left to right: Financial and General Management Studies Division Director Donald Scantlebury, computer operator Anita Dorsey, and Deputy Director Harold Stugart.

on automatic data processing, systems analysis, statistical sampling, and actuarial science.

The group keeps abreast of new developments so it can apply new methods and techniques to GAO assignments. During the year, it handled about 280 requests for assistance. In many cases the work included developing important parts of reports of other GAO operating groups.

The group is also developing and testing new ways to evaluate computer systems. The "simultaneous-parallel approach," for example, enables the auditor to evaluate both internal controls and ongoing computer system performance by simulating a working system that does not affect critical outputs or system operations. We have installed and are currently using this new tool to audit the Supplemental Security Income Program at the Social Security Administration.

We are also developing a small team of specialists to evaluate computer performance and capacity management. Computer performance evaluation has evolved as a separate discipline after the development of such measurement tools as hardware monitors, software monitors, accounting data, and program optimizers. This team will improve our auditing and evaluative capabilities in today's complex computer field.

Audit Standards

The audit standards group

- plans, coordinates, and monitors GAO's reviews of Federal agency internal audit systems;
- fosters audit cooperation and improved auditing at the Federal, State and local levels; and
- supports and assists the national and regional intergovernmental audit forums.

Reviews of Federal Agency Internal Audit Systems

We reported to the Congress that several agencies (1) have not established appropriate internal auditing as required by law, (2) have staffs too small for adequate audit coverage, and (3) are emphasizing audits of Federal assistance programs so much that their internal audit coverage suffers.

We recommended that the Office of Management and Budget (1) help smaller agencies obtain auditing services and (2) develop guidelines to help Federal agencies determine an appropriate size for their audit staffs. (FGMSD-76-50, Nov. 29, 1976.)

In another report to the Congress, we recommended that the Secretary of Defense strengthen the Army's internal auditing by

- removing restrictions on the scope of audit work,
- placing the audit function at a higher organizational level,
- heading the audit organization with a qualified civilian,
- eliminating audit work that is not fully productive or is not directly related to the audit organization's basic mission, and
- strengthening the audit followup system.

During the year, we continued our reviews of the amount of auditing done by the major Federal audit organizations in internal financial areas, such as controls over cash, property, and other assets for which Federal agencies are responsible. We issued reports on the internal financial audit efforts of the Departments of Agriculture, Justice, and Interior and of the Veterans Administration.

Federal cross-service arrangements, under which one agency audits for another to conserve manpower, were also reviewed. We found insufficient use of these arrangements. As a result, duplicate audit effort and wasted time and money can occur.

We recommended that the Office of Management and Budget determine if a system can be established to identify grantees funded by more than one Federal agency or federally assisted program so they can be audited under cross-service arrangements. (FGMSD-77-55, Sept. 1977.)

Intergovernmental Audit Forums

We have continued to support and participate in the national and the 10 regional intergovernmental audit forums. Composed of the directors of Federal, State, and local government audit agencies, these forums seek to resolve issues and improve audit cooperation and coordination at all levels of government.

The National Intergovernmental Audit Forum consists of representatives of GAO, the Office of Management and Budget, and all principal grant-making Federal agencies; 10 State auditors; and the heads of audit agencies from 6 local governments. In addition to the nationwide representation of the national forum, each Federal region has a forum, which, in turn, usually includes representatives of major professional organizations and public interest groups.

Fostering Audit Cooperation and Improving Auditing

We continue to foster intergovernmental audit cooperation by participating in State, local, and other Federal Government audits of federally assisted programs. These joint audits also promote wider use of GAO's audit standards and encourage Federal agencies to accept State and local government audits. We also cooperate with executive branch departments and agencies to improve auditing throughout the Federal Government.

National Productivity

GAO's commitment to improving productivity in the Federal Government and the private sector has been long and sustained. In recent years, a good part of this commitment has been in the form of active participation in the productivity studies carried out under the Joint Financial Management Improvement Program. However, recognizing the continuing importance of and the congressional interest in productivity, we established this year a new group to centrally plan and coordinate GAO's work in improving productivity.

This group will make productivity-related studies and technically assist all GAO divisions doing related work.

The following summaries of some initial efforts of this group indicate the impact it can have on improving productivity.

- GAO is required to evaluate the National Center for Productivity and Quality of Working Life by the establishing legislation (Public Law 94-136). The Center was established to focus, coordinate, and promote efforts to improve the growth rate of productivity.
- Many Government activities and services are also performed by private companies. There should be some transferability of systems or procedures between these sectors that will improve productivity. We have selected several of these common areas to study what the experience has been in each sector and the reasons for significant differences in productivity.
- Both financial and nonfinancial incentives are critical in achieving and maintaining a high level of productivity. It is known that incentive plans, properly structured, can stimulate employee productivity. We are studying the present Federal incentive system to see if it is improving employee productivity. Recommendations will be made to more effectively relate rewards to performance.

—Congressman Paul Simon of the House Budget Committee asked us to evaluate the potential uses of productivity-related data in the budget process—specifically how the Congress can better use such data in reviewing the efficiency of Government operations and evaluating staffing requirements.

Securities and Exchange Commission

Our June 20, 1977, report to the Congress discussed problems in SEC's oversight of gas and electric utility holding companies regulated under the Public Utility Holding Company Act, changing policies in granting exemptions from regulation, and changing policies regarding utility companies' investment in fuel-related ventures. Because provisions of the act, which was passed in 1935, might have become outdated, we recommended that the Commission authorize a thorough study of industry developments to evaluate these provisions and the act's overall usefulness. (FGMSD-77-35, June 20, 1977.)

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program was authorized by the Budget and Account-

ing Procedures Act of 1950. Its purpose is to improve and coordinate financial management policies and practices throughout the Government so they will contribute to the effective and efficient planning and operation of governmental programs.

Leadership and policy guidance are provided by the program's four principals: the Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission. The program is administered by a steering committee composed of representatives of the principals. Day-to-day business is the responsibility of the executive director, who is the chief administrative officer for the program and a member of the steering committee.

Major activities of this program during 1977 are listed below. (More detailed information may be found in separately published annual reports on the program.)

- *Audit Improvement Project*—a study of various aspects of auditing federally assisted programs being carried out by State and local governments.
- *Productivity*—promoting comprehensive productivity programs and management use of productivity data.
- *Cash Management Improvement*—a series of workshops to focus more attention on improving cash management practices and policies in the Federal Government.

CHAPTER SIX

ENERGY AND MATERIALS

Responsibilities

The Energy and Minerals Division:

- Analyzes the energy- and minerals-related programs of all Federal Government agencies, including Federal contractors' energy programs, and evaluates the interrelationships among all Federal departments, agencies, and programs as they involve energy and minerals matters.
- Evaluates the Federal collection and analysis of energy data.
- Examines the books, records, papers, or other documents of any person or company who is required to submit energy and financial information to the Federal Government or who is engaged in producing, processing, refining, transporting or distributing energy resources.
- Provides advice on energy, minerals, and materials matters when they are a secondary focus of work being done in other GAO divisions.

Specifically, we audit the Federal Energy Administration;¹ the Energy Research and Development Administration;¹ the Federal Power Commission;¹ the Nuclear Regulatory Commission; the Department of the Interior (energy- and minerals-related activities);² the Tennessee Valley Authority; and the Energy Resources Council.³

¹ All functions were transferred to the Department of Energy effective Oct. 1, 1977.

² Certain energy functions of the Department of the Interior were transferred to the Department of Energy effective Oct. 1, 1977.

³ Disbanded with the creation of the Department of Energy, effective Oct. 1, 1977.

Major legislation in the past few years has required us to evaluate programs carried out under the Federal Energy Administration Act of 1974, the Energy Reorganization Act of 1974, the Energy Conservation and Production Act of 1976, and most recently the Department of Energy Organization Act of 1977.

In addition, under title V of the Energy Policy and Conservation Act of 1975, we have been given the authority to independently verify energy data and inspect the books and records of private persons and companies under certain conditions.

Monte Canfield, Jr., is Director of the division, and J. Dexter Peach is the Deputy Director.

Energy

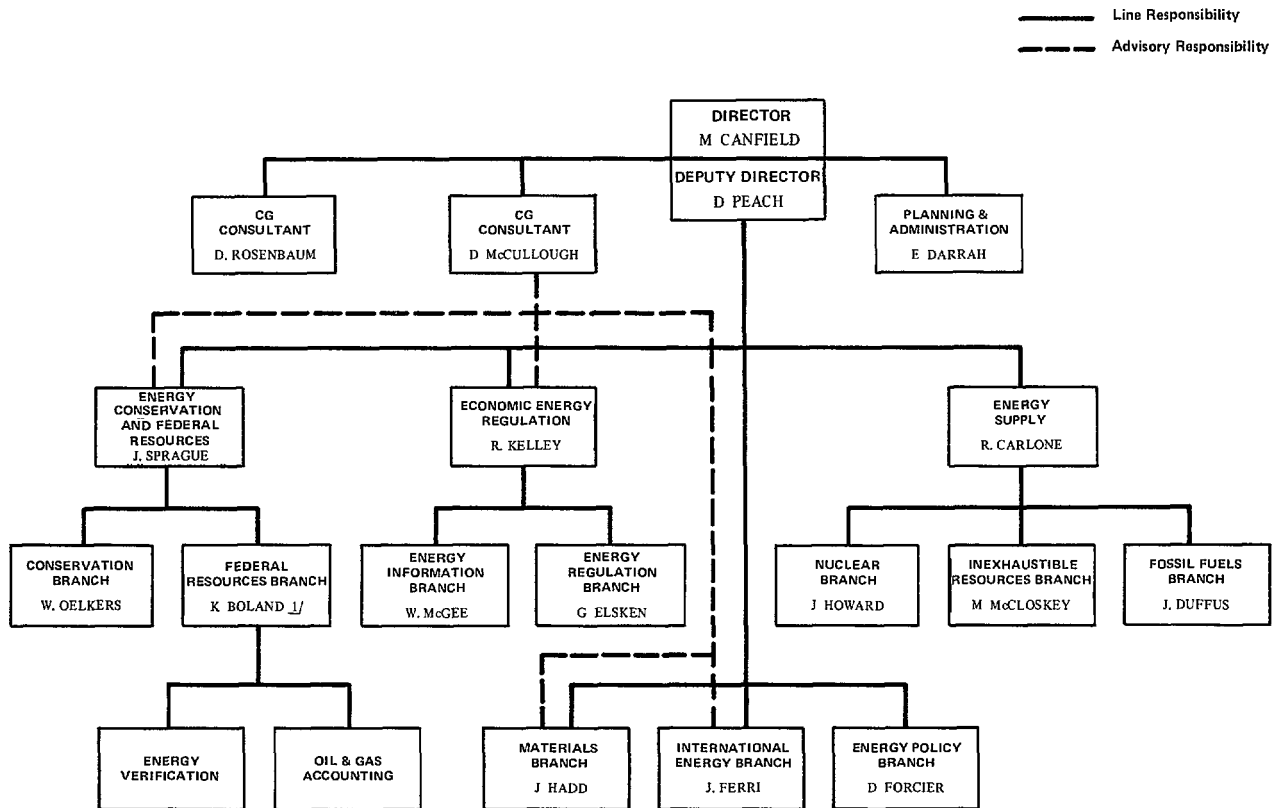
In fiscal year 1977, GAO spent about 240 professional staff-years on energy-related assignments, 54 percent of which related to self-initiated assignments and 46 percent to congressional requests. We completed 82 reports on energy—64 to the Congress, Members of Congress, and committees (these reports include those energy-related reports issued by other GAO divisions) and 18 to agency officials.

Energy Policy

When the 95th Congress convened in January 1977, its number one priority was energy. The United States was relying far more heavily on imported energy than it had during the oil embargo. Yet, the Nation still lacked a focal point for dealing with energy problems and a coherent set of energy policies.

We identified the following critical energy issues that needed to be addressed by GAO, the public, and most particularly the Congress.

- How can the Federal Government encourage energy conservation?
- Can nuclear fission become a major energy source?
- To what extent can fossil fuels (especially coal) be relied upon to fulfill future energy demand?



1/ Reports to the Director, EMD, on matters relating to energy verification and oil and gas accounting.

SEPTEMBER 30, 1977

- How do Federal subsidies, taxes, and regulations affect energy supply and demand actions?
- How can the executive branch improve its decisionmaking and organization in relation to energy?
- What are the prospects for transition to essentially renewable energy resources (geothermal, solar, fusion)?
- Are the energy resources on public lands being wisely managed by the Federal Government?
- Are our domestic and international energy policies compatible and do they reflect international economic and political realities?

For each of these issues, we summarized questions that required analysis and discussed our ongoing and planned work. We prepared the report as a guide for our own work. However, it could also be helpful to others concerned with the situation. (EMD-77-16, Jan. 27, 1977.)

Reorganizing the Federal energy structure has been an important issue in the Congress for the past few years. This interest resulted in the Department of Energy Organization Act (Public Law 95-91) being signed by the President on August 4, 1977. At the re-

quest of Senators Ribicoff and Percy, we reported on the energy policymaking process, Federal energy organization, and national energy goals. This report discussed several organizational proposals, including the administration proposal which became the Department of Energy, and several issues which were incorporated into the final legislation. (EMD-77-31, Mar. 24, 1977.)

The President's National Energy Plan combines proposed legislative, administrative, and budgetary actions for solving the Nation's energy problems. Our report to the Congress on the plan pointed out that the administration had taken an important step in formulating a national energy policy by submitting a comprehensive set of proposals, but that the plan had one major flaw: it was not designed to meet many of the administration's goals without unspecified voluntary or further mandatory conservation actions. The plan, as proposed, was not strong enough to meet four of its seven established goals; and where practicable, we quantified the possible results.

In our opinion, the plan would fall short of its goals by greater amounts than the administration has estimated. (EMD-77-48, July 25, 1977.)

Testimony at Hearings

On June 8, 1977, we testified on the goals of the proposed National Energy Act and a proposed Federal vanpooling program before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations.

On March 25, 1977, and April 19, 1977, the Comptroller General testified on the pending legislation before the Senate Committee on Governmental Affairs and the Subcommittee on Legislation and National Security, House Committee on Government Operations, respectively.

Audit Work in Process

The basis of the administration's energy plan is a much-debated set of crude oil pricing and tax proposals. As of September 30, 1977, we were surveying (1) Federal actions to encourage increased domestic crude oil production, including decontrol of crude oil prices, and (2) the effect of U.S. tax policies on energy supplies.

Nuclear Energy

The danger of loss or theft of special nuclear materials is ever present. Reporting to the Congress on the weaknesses in the nuclear material accountability and physical security systems at commercial fabrication and processing facilities licensed by the Nuclear Regulatory Commission, we concluded that these facilities needed better security.



Monte Canfield, Director, Energy and Minerals Division, boarding helicopter on oil rig.

We recommended that the Commission monitor the accounting of such material by individual operating stations rather than on a total plant basis.

The Energy Research and Development Administration and the Commission are responsible for safeguarding nuclear materials at Federal and commercial facilities, respectively. We recommended that the Congress amend the Energy Reorganization Act of 1974 to provide for independent assessments of the adequacy of nuclear materials safeguards at all Administration nuclear facilities and the adequacy of health and safety protection for the public. (EMD-77-40a, May 2, 1977.)

On November 29, 1976, we reported to the Congress that successful commercialization of the liquid metal fast breeder reactor (LMFBR) would require developing not only reactor technology but also three other supporting technologies that comprise the fuel cycle—fuel fabrication, plutonium reprocessing, and radioactive waste disposal. Because the LMFBR program has emphasized reactor development the most, more attention must be given to the relationship between reactor development and the timing and rate of introducing these supporting fuel cycle technologies.

We commented that public acceptance and institutional adaptation may be more difficult than technical considerations. As a result, any degree of commercialization before the end of this century will require the active support of diverse interest groups if the long-leadtime decisions and commitments are to be made in time for scale-ups of the required technologies.

We recommended that, to start LMFBR commercialization by the mid-1990s, the Energy Research and Development Administration develop a management and planning framework which integrates research, development, and demonstration for the four key technologies. We also recommended developing similar integrated management and planning approaches for other energy research, development, and demonstration programs having commercial acceptability as their goal.

Because of the controversial nature of the LMFBR program, we recommended that the Energy Research and Development Administration report annually to the Congress on the development of all technologies needed for an LMFBR industry and on the costs and priorities of these technologies in relation to other energy research, development, and demonstration programs. (EMD-77-5, Nov. 29, 1976).

The Nuclear Regulatory Commission is responsible for assuring that commercial nuclear powerplants have adequate security systems. The Commission's failure to define the level of threat and to establish specific protection requirements has caused inconsistencies in security systems. Also, the guard forces at

powerplants were generally ineffective and inefficient.

Although the Commission has begun implementing improved security regulations, implementation will take some time.

In our report to the Congress, we recommended immediate precautionary measures, especially at those facilities needing immediate improvement. (EMD-77-32, Apr. 7, 1977.)

Testimony at Hearings

In March 1977, we testified before the Subcommittee on Environment, Energy and Natural Resources, House Committee on Government Operations, on the costs and problems of decommissioning Nuclear Fuel Services, Incorporated, a spent-fuel reprocessing facility at West Valley, New York.

In May 1977, we testified on the security at nuclear powerplants before the House Committee on Interior and Insular Affairs and the Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce.

In May 1977, we testified before the House Committee on Interior and Insular Affairs on four reports dealing with mill tailings, low-level waste, nuclear waste stored at West Valley, New York, and high-level waste disposal.

In June 1977, we testified before the Subcommittee on the Environment and Atmosphere, House Committee on Science and Technology, on decommissioning and decontaminating nuclear facilities and disposing of nuclear wastes.

In September 1977, we testified before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, on the costs of decommissioning nuclear facilities.

In September 1977, we testified before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, on disposing of hazardous radioactive waste safely.

Audit Work in Process

Work in process at September 30, 1977, included reviews and analyses of alternative nuclear fission concepts, centrifuge enrichment research and development efforts, issues surrounding uranium availability, and the fusion power research and development program.

We were also evaluating the safe design and siting of nuclear powerplants, analyzing the inspection/enforcement effort for commercial nuclear powerplants under construction, assessing the nuclear waste treat-

ment research and development program, and evaluating the safety and environmental impact of floating nuclear powerplants.

Research and Development

In the first of two major reports dealing with energy research and development, we reviewed the Energy Research and Development Administration's program on enhanced oil and gas recovery. Enhanced recovery of oil refers to increasing output from producing reservoirs, while enhanced gas recovery refers to producing gas from areas where commercial production has not previously been possible. The agency's goal is to increase oil production by 500,000 barrels a day and gas production by 3 billion cubic feet a day by 1985 by stimulating industry efforts to commercialize enhanced recovery processes.

The Energy Research and Development Administration's schedules for developing enhanced oil and gas recovery techniques are unlikely to stimulate enough production to reach the 1985 goals. Nor has it had an effective program management plan for rapidly and effectively increasing domestic petroleum supplies.

During our review the Energy Research and Development Administration began developing a management plan for both enhanced oil recovery and enhanced gas recovery. A management plan for enhanced gas recovery which would focus on laboratory research, demonstration tests, and the gathering of geological data on the types of deposits the agency plans to test should receive increasing emphasis.

Several factors which are constraining industry from demonstrating and commercializing enhanced recovery technology include (1) the inability to calculate long-term oil and gas prices, (2) the large capital investments required, (3) the unproven and risky nature of many enhanced recovery techniques, and (4) the uncertain availability of needed recovery materials for the enhanced oil recovery processes.

We recommended that the agency annually reassess the Federal role and level of effort in enhanced oil and gas recovery research and development in the light of increased oil and gas prices and industry's willingness to promote new technology. (EMD-77-3, Jan. 28, 1977.)

A second report to the Chairman, Subcommittee on Energy and Power, Committee on Interstate and Foreign Commerce, stated that the Coalcon Project—the first Federal attempt to demonstrate a synthetic fossil energy technology by converting coal to a clean burning liquid fuel—was plagued by technical and managerial problems from the beginning; failed in its initial

ENERGY AND MATERIALS

phase despite a \$10 million cost overrun (211 percent) and a 14½ month schedule slippage; and terminated in June 1977.

We recommended that, to avoid these types of problems, the Energy Research and Development Administration (1) resolve major technical problems before beginning the demonstration plant phase, (2) require that project plans, along with associated milestones and decision points, be formally approved before projects are started, and (3) establish and implement formal project monitoring systems which would enable management to track project progress and costs. (EMD-77-59, Aug. 17, 1977.)

Testimony at Hearings

In April 1977, we testified before the Subcommittee on Energy Production and Supply, Senate Committee on Energy and Natural Resources, on S. 419 which would establish a Federal program to determine the commercial viability and environmental and social impact of two oil shale reporting technologies through federally owned demonstration plants.

Audit Work in Process

Work in process at September 30, 1977, included reviews and analyses of the Energy Research and Development Administration's fossil energy research, development, and demonstration program; the role of multiprogram laboratories in energy research and development work; the Federal environmental research and development efforts associated with energy technologies; the progress of the solar heating and cooling demonstration program; and Federal efforts to encourage geothermal energy development and commercialization.

Federal Ownership of Energy Resources

The Nation is relying more and more on the Outer Continental Shelf leasing program to increase domestic oil and natural gas production. However, the Department of the Interior's leasing policy does not assure the selection of the best acreage for leasing, encourages industry to speculate in tracts believed to contain minimal or no resources, and does not guarantee that the Federal Government will receive fair market value for the leased resources.

We recommended that Interior direct a geological exploration program which would implement a systematic plan for appraising Outer Continental Shelf resources, including stratigraphic drilling. Private industry should be encouraged to do the drilling, but Interior should take any necessary actions, including pub-

licly financing stratigraphic drilling, to fill existing gaps in needed data. Since pending legislation would alleviate most of these problems, we recommended that the Congress favorably consider this legislation. (EMD-77-19 and 77-51, Mar. 7, 1977, and June 28, 1977.)

Testimony at Hearings

In March 1977, we testified before both the House Ad Hoc Select Committee on the Outer Continental Shelf and the Senate Committee on Energy and Natural Resources concerning Interior's offshore oil and gas leasing program.

Audit Work in Process

Work in process at September 30, 1977, included reviews of the Tennessee Valley Authority's power program responsibilities and goals and its Tellico Dam Project and the electrical energy options for the Pacific Northwest Region.

Fossil Energy Resources

In 1977, coal represented 90 percent of this Nation's total fossil energy resources, yet supplied only about 18 percent of energy needs. Coal becomes even more important when

- domestic oil and gas supplies are limited and declining rapidly;
- nonconventional energy sources, such as solar and geothermal, are unlikely to contribute significantly to energy supplies for the next 25 years or so; and
- dependence on insecure foreign energy sources continues to increase.

In its National Energy Plan, the Administration was expecting annual coal production and use of 1.2 billion tons by 1985, up from 665 million tons in 1976. However, we reported to the Congress that it is very unlikely that this Nation could produce and use 1.2 billion tons annually by 1985—in fact, it would be very difficult to achieve 1 billion tons annually by then.

Our report discussed the status, prospects, and major issues in U.S. coal development from the standpoints of demand, supply, production, transportation, environmental and socioeconomic impacts, and America's position in the world coal market.

The Government will have to take certain actions if coal production is to help reduce our dependence on oil imports and relieve pressure on our dwindling domestic gas reserves. The National Energy Plan did

not adequately address constraints, such as transportation and productivity. We also noted the need for

- capital to upgrade large portions of the Nation's railroads, particularly in the Eastern States, and expand existing capabilities;
- congressional resolution of the rights-of-way issue for coal slurry pipelines;
- improved labor relations to prevent disruptions due to wildcat strikes, together with improved miner health and safety conditions, recruitment, and training;
- greater productivity;
- accelerated Federal research to determine the health and environmental effects of burning greater amounts of coal; and
- less costly and more reliable technology to control air pollution from coal burning facilities.

(EMD-77-43, Sept. 22, 1977.)

The Energy Policy and Conservation Act requires the Federal Energy Administration to create a strategic petroleum reserve containing up to 1 billion barrels of crude oil and products by December 1982 to help diminish U.S. vulnerability to the effects of severe interruption in energy supplies. The act also gives the agency authority to establish a regional petroleum reserve and an industrial petroleum reserve. The quantities of oil to be stored in these reserves are to be part of, not in addition to, the strategic petroleum reserve.

On December 15, 1976, the Federal Energy Administration submitted the strategic petroleum reserve plan to the Congress. The oil will be stored in underground salt dome caverns or in mines, primarily located along the Gulf Coast, and the oil will be purchased on the open market at near the national average composite price. The plan rules out establishing regional and industrial reserves.

In a report to the Congress, we discussed questions in three key areas which we believe needed further analysis by the Federal Energy Administration and the Congress.

- Is there a need for the type of strategic petroleum reserve as outlined by the agency? Industry stockpiles could be used at significant savings.
- How will the oil be purchased to fill the reserve? Royalty and Elk Hills Naval Petroleum Reserve oil, rather than oil purchased on the open market, may be viable alternatives.
- What ways other than general tax revenues are available to finance a strategic petroleum reserve? A user fee placing the cost on those who use the product may be a better option.

(EMD-77-20, Feb. 16, 1977.)

Testimony at Hearings

We testified before the Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce, on our report on the strategic petroleum reserve.

Audit Work in Process

We are focusing on the Federal Energy Administration's efforts to answer the questions raised in our report on the strategic petroleum reserve, in particular the extent to which industry inventories are available for it. We are also studying the cost and feasibility of storing the oil in salt dome caverns and in mines. Finally, we are monitoring the agency's progress in assessing regional needs.

Energy Conservation

President Carter, in proposing his National Energy Plan, stated that energy conservation would be the cornerstone of his approach to solving the Nation's energy problems. Although the Federal Government has been promoting energy conservation since late 1973 and several agencies have programs dealing with industrial energy conservation, we reported to the Congress that these programs and actions have had little effect at Government contractors' plants. Although contractors have taken many specific energy conservation actions, much more energy can be saved if all contractors establish energy management programs.

Our report contained recommendations to the Director, Office of Management and Budget, and to the Secretaries of Energy, Defense, and Commerce. The recommendations were directed towards making the Federal agencies work harder to promote energy conservation and to alleviate or remove barriers that hinder energy conservation. We believe such efforts are necessary if the Government intends to lead the way in energy conservation. (EMD-77-62, Sept. 30, 1977.)

Audit Work in Process

Work in process at September 30, 1977, included reviews of: Federal energy conservation efforts; programs authorized under title IV of the Energy Conservation and Production Act (P.L. 94-385); and the effects of certain energy conservation measures—weatherization, appliance efficiency, and cogeneration—on electric utility rates, revenues, and power requirements.

ENERGY AND MATERIALS

Energy Regulation and Pricing

Among the most urgent concerns of industry, the Government, and consumers in the past year were the continuing natural gas shortages and the rapidly escalating prices of electricity and natural gas. These concerns have generated several congressional requests to review these problems.

The Chairman, House Subcommittee on Energy and Power, asked us to monitor the Federal Power Commission's and the Federal Energy Administration's efforts to assess the economic impacts of natural gas curtailments during the winter of 1976-77, review their assessment results, and determine the need for an independent GAO assessment.

We reported that the two agencies had begun to estimate the potential impact of the projected gas shortage and that an independent assessment was not necessary; however, improvements were needed in two areas.

First, we questioned the agencies' ability to respond to emergency fuel shortages. Although the Federal Power Commission had emergency gas purchase procedures, the volume of available gas supply was unknown. The Federal Energy Administration had allocation authority for alternate fuels, and additional supplies can be imported, but distribution problems could keep these supplies from reaching end users.

Second, the coordination between these two agencies needed improvement. We recommended that a memorandum be jointly issued by the Federal Power Commission Chairman and the Federal Energy Administrator that clearly defines each agency's responsibilities in assessing the impact of future gas curtailments and assigns responsibilities for forming emergency plans. We also recommended that the Federal Energy Administration participate in the Commission's pipeline curtailment hearings when requested to do so.

On June 13, 1977, the Administrator stated that the two agencies had agreed to a "memorandum of understanding" concerning the general policy and procedures the agencies will follow in joint efforts. He also stated that the agency had been asked to provide assistance to the Commission in natural gas curtailment proceedings and that he would do so. (EMD-77-12, Jan. 13, 1977.)

Audit Work in Process

Work in process as of September 30, 1977, primarily concerned natural gas, including reviews of

- the Federal Power Commission's advance payment program for increasing natural gas supplies,

- the national policy for importing liquefied natural gas,
- the estimation and development of natural gas reserves,
- the Federal Power Commission's administration of emergency natural gas purchases,
- the effectiveness of the Commission's end-use curtailment policy,
- the availability and use of alternate fuels to alleviate natural gas shortages,
- plans to construct the Alaskan natural gas transportation system, and
- the impact of environmental constraints on electric utilities based on proposed increased usage of coal.

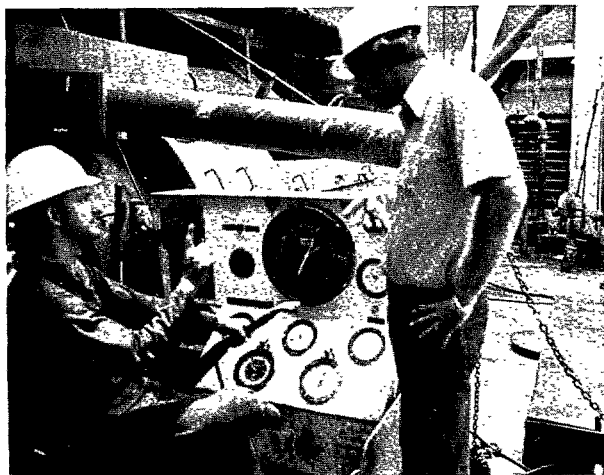
Energy Data Verification

Title V of the Energy Policy and Conservation Act has given GAO new responsibilities for energy data and includes new and unique tools for our use. Specifically, title V authorizes us to independently verify energy data and inspect the books and records of private persons and companies under certain conditions.

Audit Work in Process

Our title V authority has generated many requests from congressional committees to examine energy company records. Among these as of September 30, 1977, were:

1. A review of transportation charges for imported crude oil. Transportation is an important



During a review of the estimation and development of natural gas reserves, John Ordner, Houston suboffice, visits an offshore exploration platform in the Gulf of Mexico to learn firsthand what factors the driller has to control.

element in the cost of imported crude oil. Along with other costs, it supports price increases for regulated petroleum products.

2. A review of the origins and effects of the cost increases in constructing the Trans-Alaska pipeline, including a "final accounting of all project costs."

We will determine what can be learned to minimize the costs and improve future projects' effectiveness.

3. A review to determine the accuracy and reliability of the estimates of coal reserves under Federal lease, and to determine the status of lessee production plans.

4. A review of the relationship between international oil companies and the Organization of Petroleum Exporting Countries to consider what inhibiting effects these relationships might have on company incentives to expand domestic energy production. We will also describe the oil companies' roles in the Organization's production and pricing decisions, assess the Organization's ambitions, and evaluate U.S. Government options.

5. A review of natural gas company costs and profits.

In addition to our verification examination responsibilities, section 503 of title V requires that the Securities and Exchange Commission consult with GAO in developing accounting practices for the oil and gas industry. We are therefore doing our best to see that the activities of the Financial Accounting Standards Board, the Securities and Exchange Commission, and the Federal Energy Administration are adequately directed toward developing a reliable energy data base. In line with congressional interest in the costs of energy resources and the profits of energy companies, it is crucial that such a data base exist if we and others are to effectively address such issues.

International Energy

The President and the Congress recognize the need to develop U.S. offshore energy sources to meet increasing energy demands in a safe and environmentally acceptable way.

During the past decade the United Kingdom began to develop its oil and gas reserves in the North Sea. The British rapidly exploited these energy resources, improved technology, and gained considerable knowledge and experience in doing so.

We reported on what the United Kingdom had done and how it could assist the Congress and the executive branch in establishing a philosophy, policy, and approach for the United States to meet its increasing energy demands in a safe and environmentally acceptable way. (ID-77-51, Sept. 23, 1977.)

Audit Work in Process

As of September 30, 1977, we had the following work in process:

- Review of foreign energy-related technological development and conservation practices.
- Review of proposal to import liquefied natural gas from Indonesia.
- Examination of energy's role in U.S.-Indonesian relations.
- Survey of potential for increased oil from the Arabian Peninsula.
- Survey of international cooperation in energy research and development.

Materials

In fiscal year 1977, GAO spent about 21 professional staff-years on materials-related assignments—96 percent was spent on self-initiated assignments and 4 percent on congressional requests. The results of most of this audit work was just entering the report processing phase as of September 30, 1977. However, we completed two materials-related reports—one to a congressional committee chairman (issued by another GAO division) and one to an agency. We also provided a major chapter to a report to the Congress (to be issued by another GAO division) on deep ocean mining.

Audit Work in Process

As of September 30, 1977, we were concentrating on issues and activities which most directly affect the availability of materials. Materials availability is a complex concept with many dimensions, including physical and economic scarcity, criticality, measures of reserves and resources, accessibility and inaccessibility of supplies, and the psychological aspect summed up in the term "shortage mentality." These concepts are all interrelated.

Specifically, we were concerned with six aspects of materials availability issues (1) information systems, (2) stockpiling, (3) deep ocean mining, (4) mineral exploration, (5) resource conservation and recovery and (6) materials research and development.

Information Systems

Policy can be properly formulated only if current information systems provide valid information on what materials are available, from whom, and at what price. Our work in this area is directed at those information requirements, as well as improving knowl-

ENERGY AND MATERIALS

edge of the socioeconomic (quality of life) aspects of materials consumption. Work in process involves reviews of the minerals availability system, computerized resources information bank, criteria for determining criticality of materials, information requirements concerning materials research and development, and need to make an up-to-date inventory of Federal lands.

Stockpiling

In October 1976, the Ford administration announced a major policy change in the Nation's strategic and critical materials stockpile. The change provided for a war emergency period of 3 years, as opposed to the 1-year period previously provided for, and expanded the stockpile needs to include essential civilian and defense needs at greatly increased costs. Because of the large congressional interest in stockpile matters, we reviewed the Federal Preparedness Agency's practices and procedures for insuring the quality and quantity of materials in the stockpile. In September 1977, we issued an advisory report to the Assistant to the President for National Security Affairs, pointing out a series of matters noted during the early stages of our review which should be considered in a current executive branch examination of stockpile policy.

Deep Ocean Mining

A major potential source of minerals is the manganese nodules lying on the deep ocean floor. How the riches of this almost inexhaustible supply of copper, nickel, manganese, and cobalt should be distributed among the nations of the world has been under negotiation between industrialized and less developed countries for some time. Reacting to the lack of substantive progress in recent Law of the Seas negotiations, the Congress has been considering domestic legislation to enable U.S. firms to mine the deep ocean seabed.

We assisted another division in developing a report (to be issued to the Congress) on the Government's deep ocean program, focusing on the international implications of marketing these nodules, and emphasizing U.S. relationships with the less developed countries. We also provided our comments on proposed domestic legislation to the House Committee on Merchant Marine and Fisheries, House Committee on Interior and Insular Affairs, and Senate Committee on Energy and Natural Resources.

Mineral Exploration

For some years now, mineral exploration in the United States has been decreasing. Maintaining a viable domestic mining industry is basic to U.S. economic interests and has serious implications in terms

of future possible shortages. An ongoing assignment was aimed at understanding the decline in mineral exploration in the country, the reasons for its severity, and a possible need for remedial action.

Resource Conservation and Recovery

Minerals are generally finite, nonrenewable assets. Ways in which they can be more prudently used include (1) recycling municipal and industrial waste materials, (2) finding secondary uses for materials whose economic life has otherwise been exhausted, and (3) developing scientific techniques to recover mining ores previously considered to be waste. Two current reviews examine these issues.

Our work also includes two prototype analyses of nonrenewable resources—helium and phosphates. Helium is not in heavy demand at present, but projected space and energy requirements indicate vast amounts of helium will be needed. Unless this resource is conserved now, future generations might not have the helium necessary for more sophisticated technologies. In the case of phosphates, this resource is in heavy demand and, at present rates of consumption, U.S. domestic resources will be in serious jeopardy by about 2000. Both of these reviews are aimed at determining what types of policies the United States should have concerning the management and administration of depletable, nonrenewable resources.

Materials Research and Development

The research and development component of the materials cycle plays an important role in the continued availability of needed supplies. Researchers must constantly strive to improve products, make them wear better and last longer, develop the sophisticated materials a more demanding industrial society requires, and develop substitute materials to mitigate the possible effects of shortages.

We are working on two specific areas. Our first survey attempts to determine the extent to which substitutions research and development is being accomplished in the public and private sectors and to indicate possible research and development gaps that need to be filled. Our second survey addresses what role Federal laboratories play with respect to materials research and development, including the type of tasks undertaken and generally how they contribute to materials research.

Testimony at Hearings

In November 1976, we testified before the Joint Committee on Defense Production regarding the administration's decision to revise its policy on the strategic and critical materials stockpile.

CHAPTER SEVEN

PROGRAM ANALYSIS

Responsibilities

The Program Analysis Division is responsible for GAO's activities under the Congressional Budget and Impoundment Act of 1974. We help the Congress analyze and evaluate Federal programs and improve the information the Congress receives.

The division's duties include

- preparing analyses having a broad perspective, particularly when economic factors and major program implications are involved,
- focusing GAO's analytical resources in support of congressional decisionmaking on major program issues,
- improving the usefulness of and access to Federal fiscal, budgetary, and program-related information for the Congress and doing related work to help GAO fulfill its responsibility under title VIII of the Congressional Budget Act of 1974, and
- improving evaluation studies provided to the Congress by Federal agencies as required by title VII of the Congressional Budget Act of 1974.

The division's focus during 1977 was on

- helping congressional committees acquire and use data needed to prepare their views and estimates on the President's budget,
- helping the Congress develop new techniques for committee oversight, including information requirements,
- developing information on and directories of required recurring reports to the Congress, sources and systems of information, and program evaluations,

- developing central files of fiscal, budgetary, and program-related information, and
- analyzing results and economic effects of Government programs and developing methods for improving evaluations and analyses to be provided to the Congress.

The Program Analysis Division is headed by Harry S. Havens, Director, and Dean K. Crowther, Deputy Director.

Program and Economic Analysis

National Economic Analysis

This work addresses broad questions of concern in the national economy—especially problems of inflation, growth, employment, and capital formation—and the impact of major Federal programs upon the economy. There are three major targets of our work in this area: (1) capital formation, (2) the economic effects of demographic change, and (3) the role of economic models in policymaking.

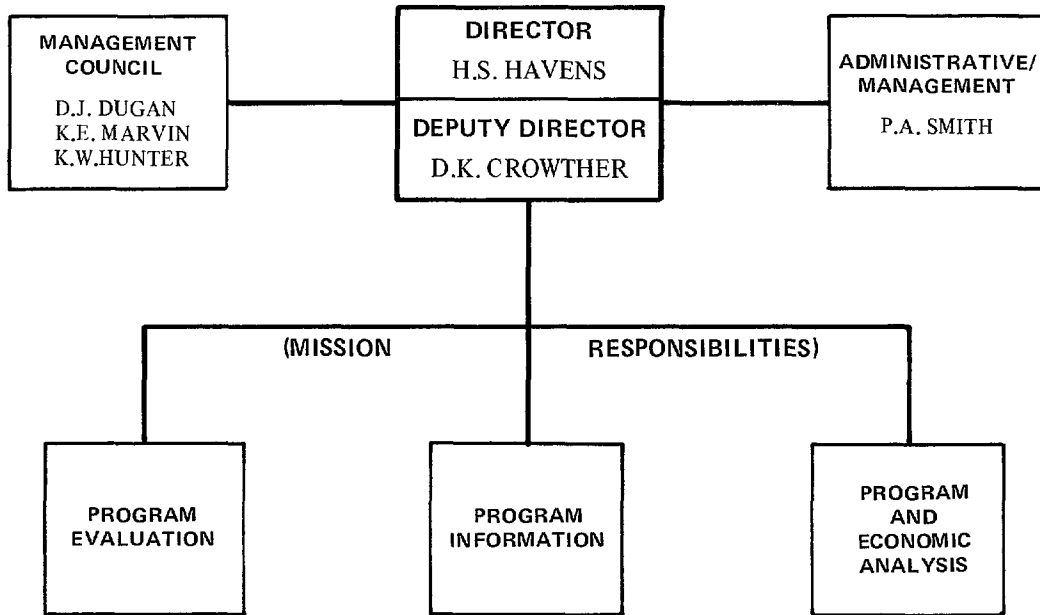
Capital Formation

In the past few years problems of economic growth in the United States and other Western nations focused attention on capital formation as an element of growth. The capital requirements of pollution control and energy conservation have also increased awareness of problems of capital formation.

One project underway is a survey of the effect of the investment tax credit on capital formation and therefore on economic growth. A project, addressing the costs and benefits of environmental pollution control legislation, is also underway.

The Economic Effect of Changing Demographic Patterns

The changing demographic structure in the United States affects the demand for products and services sup-



SEPTEMBER 30, 1977

plied by Federal, State, and local governments, as well as those supplied by the private sector. We have begun to study how the changing age structure of the population influences the demand for goods and services from the Federal Government. A second task will be to survey the effect of changing patterns of migration on the demand for goods and services supplied by State and local governments.

The Role of Economic Models in Economic Policymaking

The Joint Economic Committee requested a study of the data bases and models used in economic policymaking by executive and congressional agencies. The General Government Division has begun an audit of data bases, sampling designs, and data collection procedures. The Program Analysis Division is analyzing the models. Three reports will be issued: (1) an inventory of the macroeconomic models used by the executive branch, the manner in which they are used, and the decisionmakers' perception of how the models should be improved, (2) the uses and limitations of economic models for forecasting and policymaking, and (3) the concepts underlying unemployment statistics, including the various uses of unemployment rates in al-

locating Federal resources to citizens—directly and through State and local governments.

Economic Outlook Report

Each quarter, an economic outlook report to the Comptroller General is prepared. Each report surveys related economic indicators, presents a picture of the current state of the economy, and discusses future implications.

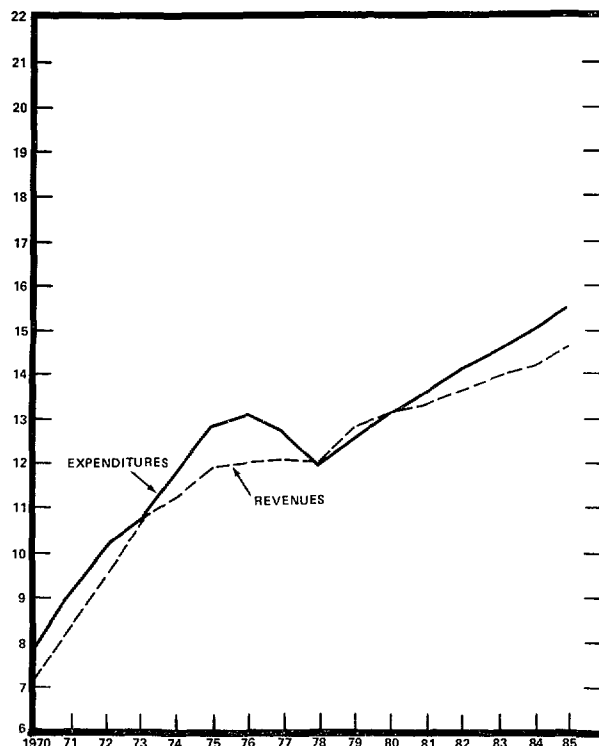
The Long-term Fiscal Outlook for New York City

This report provided the Congress with a comprehensive review of the past, present, and future of New York City's budget and economic base. We presented several briefings to Members and committees of Congress and testified before the Senate Committee on Banking, Housing and Urban Affairs concerning the report. (PAD-77-1, Apr. 4, 1977.)

Countercyclical Revenue Sharing

This division and the General Government Division evaluated title II of the Public Works Employment Act (P.L. 94-369). We testified before the Subcommittee

**SUSTAINED GROWTH PROJECTION: NYC REVENUE & EXPENDITURE FORECAST
(BILLIONS OF CURRENT DOLLARS)**



on Intergovernmental Relations and Human Resources, House Committee on Government Operations, on the report, to be issued early in fiscal year 1978.

General Government Analysis

This work has focused on issues involving regional economic problems, in particular on intergovernmental fiscal relations and related regional issues.

“Changing Patterns of Federal Aid to State and Local Governments, 1969–75” (PAD–78–15, Dec. 20, 1977) analyzes the flow of Federal aid in the context of various socioeconomic indicators and compares this flow with Federal income tax receipts. The five largest categories of Federal aid—public assistance, revenue sharing, the highway trust fund, comprehensive manpower programs, and aid to elementary and secondary education—are discussed in detail. The major trends for 1969–75 were:

- Federal aid per capita increased by more than twice the percentage of gains in personal income, thus becoming a more important part of the national economy.
- This aid became more evenly distributed by population, partly as a result of the addition of general revenue sharing in fiscal year 1973.



GAO staff look on as the Comptroller General signs a number of reports on the financial condition and outlook of New York City. Seated left to right: Victor L. Lowe, Director, General Government Division; Robert F. Keller, Deputy Comptroller General; Elmer B. Staats; D. L. Scantlebury, Director, Financial and General Management Studies Division; and Harry S. Havens, Director, Program Analysis Division.

PROGRAM ANALYSIS

- The East North Central region (Illinois, Indiana, Michigan, Ohio, and Wisconsin) continued to contribute a greater share of Federal personal income taxes than it received in aid.
- The Northeast, while its population grew most slowly and its unemployment rose to the highest in the Nation, began to receive a greater percentage of Federal aid than it paid in Federal taxes.
- The South's and West's shares of Federal aid declined but were still somewhat larger than their shares of Federal income taxes.

Also in process is a study of State and local pension burdens. Unfunded pension liabilities, particularly those of local governments, represent a hidden threat to fiscal stability. This study will help to define the problem.

Another study is underway which will compare how Federal and State aid is distributed to localities within New York. Possible differences between Federal and State priorities will be analyzed. The methodology developed in this initial study is intended to be applicable to other States.

A major regional study of the Northeast is also in process. This study focuses on the extent to which energy, transportation, and environmental problems are susceptible to regional solutions. This study is expected to lead to further studies of economic development issues in the Northeast.

In addition, two staff studies will deal with the problems associated with the rapid growth of boom towns and the principles and practices used in three State government accounting and budgeting systems.

Economic Impact Analysis

This work involves analysis of a wide range of economic matters of congressional concern.

Assessment of Economic Studies

The Congress is frequently presented with economic studies by government agencies or private concerns supporting or opposing various legislative alternatives. We assess such studies when requested.

For example, legislation was proposed that would require 9.5 percent of U.S. oil imports to be carried on U.S.-flag ships. Congress received widely divergent estimates of the cost of such legislation. We analyzed these estimates in "Costs of Cargo Preference." (PAD-77-82, Sept. 9, 1977.)

Another request for the assessment of a technical economic study resulted in "Economic Benefits of NASA R&D Spending May Be Overstated by NASA Report." (PAD-78-18, Oct. 18, 1977.)

"How to Improve Forest Service Reports on Forest Resources" (PAD-77-29, Feb. 23, 1977) suggested ways to make long-range technical plans of the Forest Service more useful to the Congress.

"Alternatives in Controlling Department of Defense Manpower Costs" (PAD-77-8, Nov. 12, 1976) abstracted from voluminous technical reports and outlined the basic issues of defense manpower costs for the Congress.

Federal Credit Assistance Programs

We have continued our studies of how Government policies and programs affect financial markets. We reported and testified that Government agency transactions with the Federal Financing Bank should be included in the budget. (PAD-77-70, Aug. 3, 1977.) A report on the cost and subsidies of Federal credit programs and an overview of their design, administration and impact are in process.

Tax Policy

Three lines of effort are being pursued:

1. Tax expenditures as alternatives to direct expenditures.
2. The effects of tax provisions on specific industries and sectors of the economy.
3. The interaction of Federal, State, and local taxing efforts.

In addition to planning several case studies of the merits of direct spending programs versus tax expenditures, we are assisting the Senate Budget Committee in preparing a tax expenditure compendium. The compendium will list various tax expenditure programs, along with descriptions of direct spending programs that have similar or complementary purposes.

A report is in process on inequities in the Federal withholding tax system. It discusses the extent of over-withholding and ways to reduce it.

The Program Analysis Division also assists other GAO divisions with studies having tax policy implications, such as an International Division review of a tax provision that excludes from taxable income a portion of the earnings of U.S. citizens residing abroad. Another example is the Community and Economic Development Division's staff study of the effects of tax policies on land use.

At the request of the Chairman of the Subcommittee on Oversight, House Ways and Means Committee, we are evaluating the investment tax credit as a policy instrument to promote short-term economic stability and long-term economic growth. Our report, to be issued

early in fiscal year 1978, will discuss the issues in evaluating such a program and will review past evaluations.

Other studies are in progress—examining the tax rules that apply to the insurance industry, tax incentives and disincentives for small business, and the relationships between Federal and State income taxes.

Government Regulation

Our work on Government regulation has been intended both to assist the Congress and to provide a framework for the other GAO work on regulatory activities.

Our report to the Congress, "Government Regulatory Activity: Justifications, Processes, Impacts, and Alternatives" (PAD-77-34, June 3, 1977) reviewed the debate on Government regulation and developed a structure for reviewing regulatory problems and reform proposals. A companion study, "An Overview of Regulation: Justifications, Impacts, and Alternatives" (PAD-77-4, Feb. 8, 1977) was delivered to the Senate Government Operations Committee to help in its year-long study of regulatory reform.

"Federal Regulatory Programs and Activities" (PAD-77-63, May 26, 1977), provided to the Subcommittee on Intergovernmental Relations of the Senate's Committee on Governmental Affairs, identified and classified Federal regulatory activities.

A study of bank solvency regulation is being prepared at the request of the Subcommittee on Consumer and Monetary Affairs of the House Committee on Government Operations. This study will examine the justifications for such regulation and the strengths and weaknesses of various regulatory alternatives. Work is also underway on the impact of Government regulation on productivity, as part of a GAO task force study of the National Center for Productivity and the Quality of Working Life.

Transportation Analysis

Work is in process on how energy conservation efforts will affect levels of automobile and truck travel, with particular attention to the interaction of energy conservation and full employment goals. An analysis of the economic effects of accounting rules (including examples from the transportation sector) is also in process. We also reviewed the importance of incorporating an analysis of the reasons airlines are financially weak in a proposed Civil Aeronautics Board investigation of whether financial intermediaries are exerting undue control over airline management. (PAD-77-78, Sept. 2, 1977.)

Special Analysis of National Health Insurance Proposals and Their Implications

A study of the potential impact of national health insurance is being made to help the Congress decide the ultimate form and structure of a national health care program. Another important objective of this study is to test the usefulness of the Delphi interview approach in analyzing major public policy issues.

Program Information

The Legislative Reorganization Act of 1970, as amended by the Congressional Budget Act of 1974, assigns responsibilities to the Comptroller General for improving the Congress' fiscal, budgetary, and program-related information. Each year the Comptroller General is required to report to the Congress on GAO's progress in this work. Our fourth annual report in fulfillment of this requirement, "Progress in Improving Program and Budget Information for Congressional Use" was published on August 30, 1977. (PAD-77-73.)

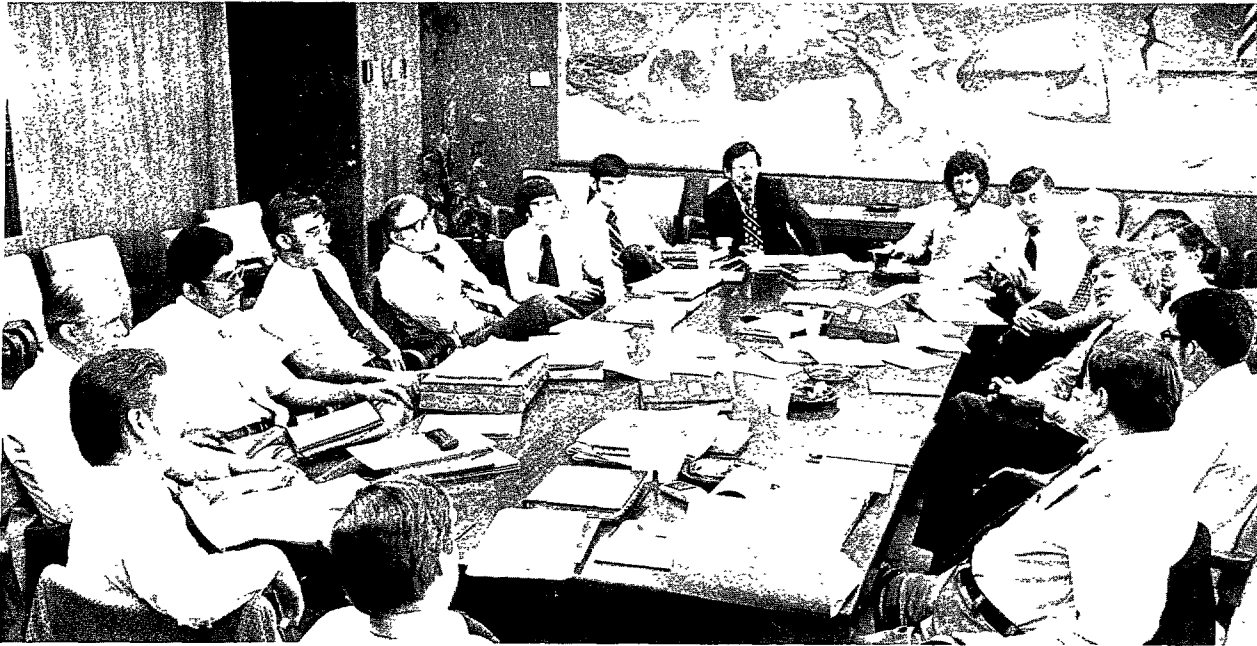
Standard Terminology, Definitions, Classifications, and Codes

One responsibility is to develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information.

In the area of budget concepts and practices, we are focusing on current and proposed methods of financing for Federal programs and how they affect congressional control. This work involves

- publishing and revising the GAO glossary of budgetary, economic, and program terms used in the budget process,
- performing studies that focus on particular budgetary concepts and practices, such as the use of revolving funds, and
- helping executive agencies implement recommended concepts.

In July 1977 we published a revised edition of the glossary of "Terms Used in the Budgetary Process." (PAD-77-9.) This glossary contains previously published basic budgetary terms; additional terms and definitions, applicable to zero-base budgeting, developed by the Office of Management and Budget; and terms used in discussing the economic assumptions underlying the budget proposals and estimates. As in the first glossary, the terms and definitions in the



Budget Concept Group reviews a job with representatives from seven regional offices.

revised glossary (except for the zero-base-budget terms) were developed in coordination with the Department of the Treasury, the Office of Management and Budget, and the Congressional Budget Office. Suggestions and assistance were also obtained from various congressional committees and Federal agencies.

Underlying the definitions are concepts and precedents in budgeting, authorizing, and appropriating. Therefore, we are examining how past and current practices for selected funding methods relate to congressional controllability. The first report dealing with this work was published during the year—"Revolving Funds: Full Disclosure Needed for Better Congressional Control." (PAD-77-25, Aug. 30, 1977.)

Since we have the responsibility for establishing, maintaining, and publishing standard classifications, we have continued to coordinate the work and consult with the various committees and agencies involved in the budget process, to evolve a classification structure well suited to the new budget process.

In May 1977, for example, we convened an informal meeting of staff from various interested committees and agencies, together with consultants, to provide a forum for discussing the adequacy of the present information flow in the congressional budget process.

A number of special-use classifications have been defined. For example, we developed a unified objective-oriented classification structure for presenting Federal research and development budgetary data, to provide Government-wide information in a manner that will facilitate analysis, coordination, and over-

sight, and we sent a report to the Congress on this work. (PAD-77-14, Mar. 3, 1977.)

Assistance to Committees

We assist both authorizing and appropriating committees in identifying and specifying information needs. Our objective is to help committees

- meet recurring needs for program and budgetary information,
- develop systems for oversight and budget activities, and
- use evaluative information in budget and oversight activities.

We helped a number of authorizing committees specify and obtain the information needed for their March 15, 1977, report on their views and estimates on the budget. These reports must be submitted annually by each standing committee to the budget committee, for use in preparing the first concurrent resolution on the budget. We have automated a data base to more effectively provide information from executive agencies to authorizing committees to support these reports. We are working toward refining the data in this system and increasing the speed and flexibility with which reports can be produced.

We have worked with the Senate and House Committees on Appropriations and with selected agencies to identify needs for information about program appropriation and funds accounts or account groups

and have summarized our recommendations in information requirements documents. These documents contain proposals for improved program-oriented classification structures for reporting information in budget justifications, the budget appendix, and other documents. They also contain proposed reporting formats and cycles and information elements and their definitions. The range of information includes workload and performance indicators, as well as basic budgetary information. This work has also been useful in assisting authorizing committees.

We are also helping committees strengthen their oversight of Federal programs. For example, a project is underway to help the Senate Human Resources Committee specify the information it needs to participate in the new congressional budget process and to strengthen its oversight function. This work has resulted in an analysis of the Committee's basic information needs and in work on two information systems models to satisfy some of those needs.

Reports Monitoring

Another of our responsibilities under the Legislative Reorganization Act of 1970, as amended, is to monitor the various recurring reporting requirements of the Congress and its committees. We maintain a computerized inventory of such reports which is published periodically as one of our congressional sourcebook series. (See below.)

We are preparing to report to each standing congressional committee on existing requirements for recurring reports for which it has oversight responsibilities. We will solicit each committee's opinion about possible elimination or modification of requirements.

Sourcebooks

We publish a directory of program-related information periodically in the three-volume congressional sourcebook series.

- Requirements for Recurring Reports to the Congress, A Directory* (PAD-77-61, Aug. 8, 1977) describes congressionally required recurring reports.
- Federal Program Evaluations: A Directory for the Congress* (PAD-77-5, Jan. 13, 1977) provides an indexed guide to program evaluation reports produced by or for the Government.
- Federal Information Sources and Systems: A Directory for the Congress* (PAD-77-71, Nov. 7, 1977) provides an indexed guide to Federal information sources and systems containing budgetary, fiscal, and program-related data.

Program Evaluation

The Program Analysis Division is responsible for providing leadership within GAO for carrying out GAO's duties assigned by title VII of the Congressional Budget Act of 1974. This responsibility entails work which will improve the quality and usefulness of evaluative information available to the Congress.

Evaluation Systems

As part of this work, information about evaluations of Federal programs was collected from 18 departments and agencies. This information included: legislative authority for evaluation, staffing and funding, the evaluation process, studies in process and planned, and program evaluation reports. We then developed a reference document so that others could use this information to locate reports in their areas of interest. The first edition of *Federal Program Evaluations* (PAD-77-5, Jan. 31, 1977) contained listings of over 1,700 evaluative reports published in fiscal years 1973, 1974, and 1975. The second edition of this directory will be published early in fiscal year 1978 and is expected to cover nearly 1,500 new reports from more than 60 agencies.

We are also assessing selected agency evaluation systems and their products. The initial project in this series of reviews is underway at the Department of Housing and Urban Development, and a report will be issued in 1978.

In a related review, we studied long-range analysis systems in selected executive agencies and observed that they can be an important aid to the Congress in solving long-term national problems. "Long-Range Analysis Activities in Seven Federal Agencies" (PAD-77-18, Dec. 3, 1976) identified several ways of improving such activities.

We have also done work on evaluating large-scale computer models used to support policy. We are completing an evaluation of the transfer income model, a large computer system which is widely used to analyze the effects of changes in various income maintenance programs. Based on this and previous work, we are developing guidelines for independent evaluation of such models.

Evaluation Development

Special attention has been given to developing new approaches to evaluating Government programs.

PROGRAM ANALYSIS

Who Lives in Subsidized Housing?

Senator William Proxmire requested information on the characteristics of tenants served by three major housing programs—section 236 rental assistance, public housing, and section 8 existing housing. We found that tenants residing in public housing and section 8 existing housing had similar characteristics, while those residing in section 236 housing were considerably different. Section 236 tenants earned more than tenants in either public housing or section 8 existing housing, but considerably less than the average American household. Most section 236 tenants are employed, unlike most section 8 and public housing tenants. There were fewer minority and elderly tenants in section 236 housing than in either section 8 housing or public housing. Half of section 236 households were headed by women, while about three-quarters of the households in section 8 existing housing and public housing were headed by women. (PAD-77-36, Mar. 4, 1977.)

The National School Lunch Program— Is It Working?

This report identified shortcomings in both the evaluation and performance of the program. It recommended specific actions for improving program services. Areas covered included

- pupil health,
- children in need of nutrition,
- operating efficiency, and

—relationship of the program to the Nation's agricultural economy.

(PAD-77-6, July 26, 1977.)

Finding Out How Programs Are Working: Suggestions for Congressional Oversight

This report, to be issued in 1978, outlines an approach to planning and carrying out congressional oversight which could be used by committees to keep track of programs as they are carried out or changed in response to legislation. The approach is designed to avoid pitfalls common in program evaluations.

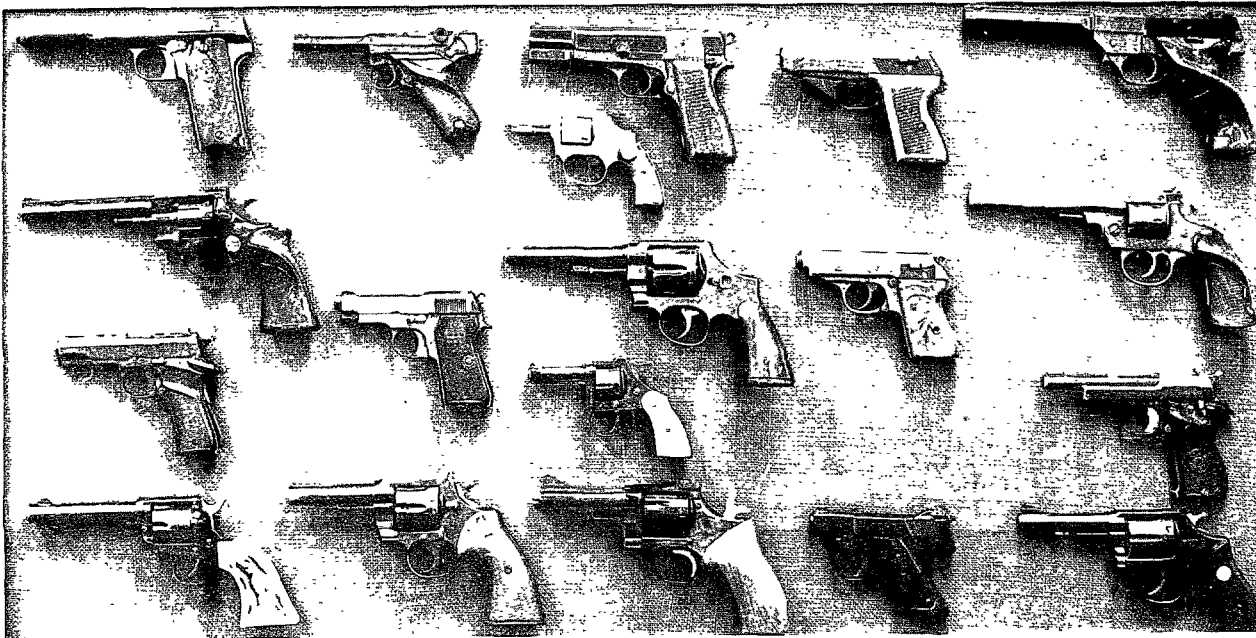
Handgun Control: Effectiveness and Costs

This report, which will be completed in 1978, analyzes the impact and costs of various gun control alternatives. The effect of handgun availability on handgun crime is analyzed. The analysis is based on statistics on the traffic of guns used in crime. Costs of State and local systems are analyzed.

The Section 236 Rental Assistance Program: What Lessons for the Future?

We have completed a comprehensive review of the section 236 rental assistance program. The report, also to be issued in 1978, will include

- an analysis of tenant characteristics,



Hand guns like those seized by Alcohol, Tobacco and Firearms special agents during Operation Concentrated Urban Enforcement, a special program to confiscate guns used in crimes.

(Courtesy of ATF)



Testimony on March 28, 1977, before the Senate Governmental Affairs Subcommittee on Intergovernmental Relations, on S. 2, the Program Evaluation Act of 1977. Left to right: Robert G. Kershaw, Program Analysis Division; Division Director Harry S. Havens; Comptroller General Elmer B. Staats; and Alice Rivlin, Director, Congressional Budget Office.

- the implications of Federal Housing Administration financing,
- an assessment of needs and an appraisal of program effectiveness,
- an analysis of the distribution of benefits and a discussion of equity,
- a review of section 236 investment incentives and a comparison with section 8 incentives,
- a comparison of subsidy costs, including tax expenditures, with public housing and section 8, and
- an analysis of Administration mortgage failures, putting section 236 in perspective.

Retirement Age: Issues and Implications

This study is addressing such issues as:

- Retirement in the United States: What are the expenditures for retirement programs and how many people are covered? In what way is the population distribution in the United States changing? Why do retirement systems exist? What is considered an appropriate age to retire, and how was it determined? What is happening to the participation of the aged in the labor force?
- The implications of retirement on funding: How is the Federal Government involved in retirement? What are the financial implications for the Government of retirement at various ages?
- The impacts of retirement on the retiree: Do people adjust well to retirement? What factors contribute to retirement adjustment?

Analysis of Sunset Legislation

We have reviewed many sunset proposals and, as requested by the Chairman of the Senate Committee on Rules and Administration, we analyzed in depth the provisions of the sunset process. In our view, the practicability of such a process depends on resolving the conflicting objectives of reviewing all programs equally rigorously on the one hand and assuring, on the other, that the review process is thorough and meaningful, given the limits on available analytical resources and on the time available to the Congress for considering and deciding the issues. We believe there are six basic requirements for resolving this conflict:

- Establishing a realistic and generally accepted schedule for reviewing programs.
- Assuring universal coverage of the review process.
- Establishing a list of Federal programs.
- Matching review objectives with review capabilities.
- Integrating sunset reviews with the congressional and executive budget processes.
- Establishing a procedure for coordinating and controlling the review process centrally.

(PAD-77-28, Dec. 23, 1976.)

Implications of Zero-Base Budgeting in the Congressional Budgetary Process

At the request of Congressman Baucus, we analyzed various components of zero-base budgeting, such as decision units and decision packages, to determine how

PROGRAM ANALYSIS

useful these components would be to Congress. (PAD-77-60, June 10, 1977.)

Developing Methods and Techniques for Auditing Social Experiments

Special methodological problems must be solved in audits of such social experiments as the experimental housing allowance program. These problems involve

protecting individually identified research data and avoiding damage to experimental design and research results, while allowing for audit and reanalysis to establish the credibility of the research for use in policy-making. We have contracted with the Social Science Research Council to help us develop techniques for auditing such social experiments. Work under that contract and related work within GAO was in process at the end of the year.

CHAPTER EIGHT

LOGISTICS AND COMMUNICATIONS

Responsibilities

The Logistics and Communications Division audits logistics and communications activities, and related policies and practices, throughout the Federal Government, with emphasis on the Department of Defense and the General Services Administration. It also audits the National Security Agency, the Government Printing Office, and all Government functions related to printing and publications.

It has audit cognizance over (1) cataloging and standardization, (2) supply management, through reviews of the requirements for—and the receipt, storage, distribution, and disposal of—materials and equipment, (3) repair, maintenance, and overhaul of equipment and components, (4) acquisition and management of facilities, (5) readiness of Active and Reserve Forces, (6) management of Government industrial facilities, (7) acquisition and operation of communications and data processing systems, (8) transportation and traffic management activities, (9) support activities, such as military food service and records management, and (10) industrial productivity.

Table 1 illustrates the importance of these responsibilities in financial terms, according to the most recent available data.

Table 1

<i>Investments</i>	<i>Billions</i>
DOD weapons systems	\$126
DOD real property (present day value).	466
Supply systems material	56
Communications equipment	50
Plant equipment	13
GSA stockpile	7
Excess and surplus property	6
Computer equipment (owned Government-wide). . .	5
Government-furnished material	4
<i>Expenditures</i>	
Maintenance of weapons systems	11
Purchase and distribution of supplies	10
Transportation of supplies	5
Utilities and building maintenance	4
Computer operating costs	16

The Director of this division is Fred J. Shafer; Robert G. Rothwell is its Deputy Director.

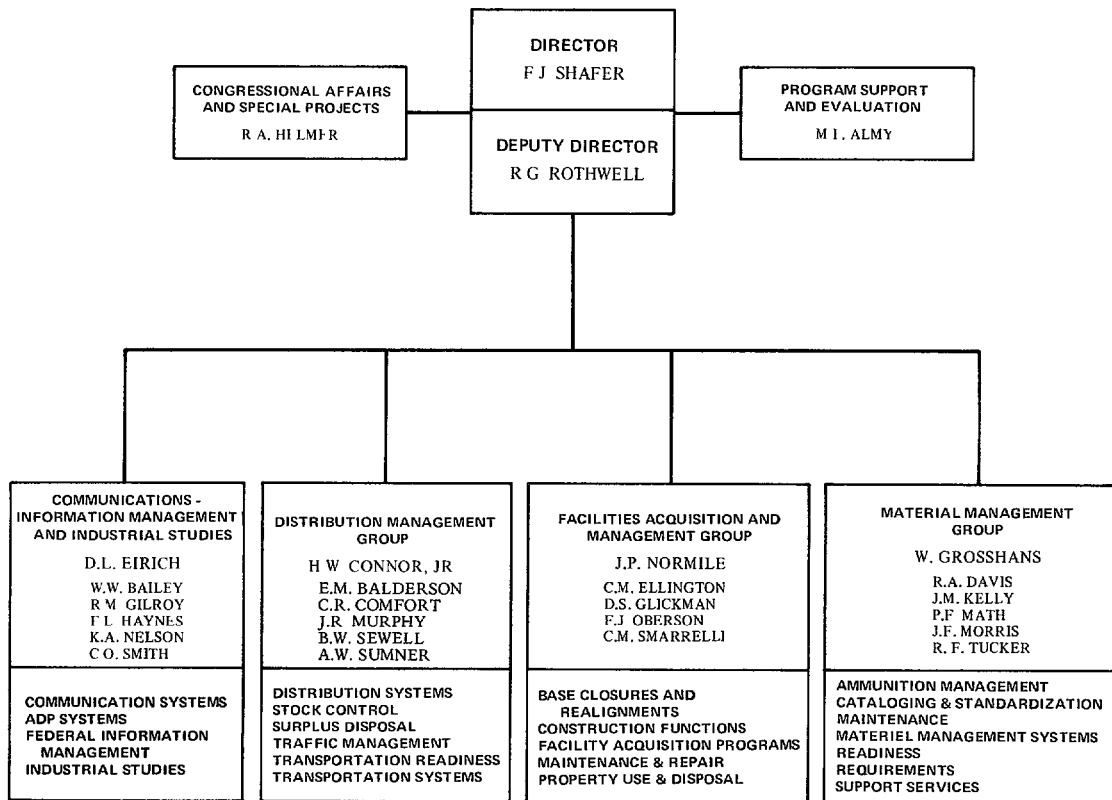
Reports

During fiscal year 1977, 107 reports were submitted to the Congress, 68 of which went to committees or Members of Congress in response to specific requests. Another 120 congressional requests for information were satisfied by telephone conversations, by furnishing copies of documents and other information, and by briefings for Members and their staffs. In addition to the 107 congressional reports, 51 reports were sent to agency officials. These reports are listed in appendix 2.

Communications

Facsimile Communications

Facsimile machines send or receive a copy of virtually any document over ordinary telephone lines.



SEPTEMBER 30, 1977

Early in fiscal year 1976, the Government was leasing more than 8,000 such machines at an annual cost exceeding \$5.3 million. The General Services Administration and the Department of Defense establish policies and procedures for machine use by civil and military agencies. These policies and procedures were inadequate and often ignored.

Too many facsimile machines were installed in Federal buildings and on military installations, resulting in low use and unnecessary costs. Over 96 percent of the facsimile machines used by the Government were leased, but most agencies had not made the required cost analyses to compare rental and purchase costs.

We recommended that the Administrator of General Services and the Secretary of Defense (1) identify all facsimile equipment owned or leased by executive agencies, determine its use, and evaluate the need for existing and additional facsimile equipment, (2) determine periodically which facsimile machines are more economical to purchase than to lease and insure that they are purchased, and (3) reemphasize the need for consolidating facsimile procurements to negotiate better prices with suppliers.

The Department of Defense, the General Services Administration, and the Office of Telecommunications

Policy generally agreed with our conclusions and recommendations. Each said it is or will be implementing the recommendations; we intend to review their actions later. (LCD-76-116, Oct. 22, 1976.)

Telecommunications Systems

We reviewed the vulnerabilities of telecommunications systems at the request of Congressman Paul N. McCloskey, Jr. These systems are vulnerable to various penetration techniques that intercept, interpret or insert communications traffic. However, penetration depends upon such factors as the adequacy of administrative controls, the competence and integrity of telecommunications personnel, the physical security maintained over telecommunications facilities, the technical security resulting from telecommunications technology, and the penetrator's technical knowledge and financial resources.

Even if telecommunications are intercepted, sensitive information can be protected against interpretation through various encoding techniques and devices. (LCD-77-102, Mar. 31, 1977.)

Data Processing

Automated Information Systems

Automated data processing supports overall agency missions by increasing the efficiency of operations. Several of our reports showed that automated data processing activities were being mismanaged, thereby wasting money and losing potential advantages.

The Department of Defense had problems designing and developing its Tri-service Medical Information System, which is intended to improve health care delivery and standardize medical data processing and reporting requirements among the military services. After spending more than 2 years and \$14 million, the Department still had not met user needs. One major problem was that the Army, Navy, and Air Force disagreed on medical data requirements. Unless such differences are resolved, the program should be terminated. We made recommendations to solidify program authority, funding, and control and to provide a basis for a sound development effort, if the differences could be resolved. The Department agreed with our recommendations. (LCD-76-117, Oct. 6, 1976.)

The Defense Department also had problems with its Defense Integrated Data System, which is intended to be a central data file of item-related identification and management data. Although the system was intended to allow Federal catalog system participants to use the data file instead of their own systems, the system (1) was not producing prompt, accurate information for its intended users, (2) could not eliminate duplicate military service files, and (3) was not interchanging information effectively and efficiently with other Department systems. These conditions were attributable to faulty system design, the unwillingness of the military services to support the system, and the lack of any central authority to insure participation. Although the Department did not agree with our conclusions, an August 4, 1977, conference report by the Senate and House Committees on Appropriations directed the Department to reprogram the money allocated to this and other programs for 1978. We are continuing our review of this system. (LCD-77-110, May 2, 1977.)

The Department of Defense has been trying to develop a system to automate the handling of procurement and contract information needed for contract administration. The original effort was terminated in 1973 because design deficiencies made system implementation too costly and system objectives unattainable. The Defense Supply Agency—now the Defense Logistics Agency—had not followed Department of Defense guidelines for developing and managing automated data processing systems.

In 1975 an incremental approach was attempted. We concluded, however, that this approach would be costly, prolonged and unsuccessful. We recommended that the Defense Supply Agency suspend further attempts until (1) requirements for information are coordinated and reestablished, (2) detailed plans are completed, (3) cost-benefit analyses are made, and (4) a full-time project manager is appointed. The Department agreed in principle with the recommendations, but disagreed on how, when, and to what extent the corrective actions should be taken. (LCD-75-115, Feb. 17, 1977.)

Automating Tax Administration

In September 1975 the Office of Management and Budget approved an Internal Revenue Service program for designing and acquiring a new data processing system—the Tax Administration System. In its cost-benefit analysis, the Revenue Service estimated the proposed system's cost at \$649 million, or \$154 million more than the cost of improving the existing system, while total benefits would be \$2.1 billion. However, we found that the ratio of benefits to costs would not be as great as estimated. We recommended that, if the proposed system is approved by the Congress, the analysis be revised to reflect all projected, and revised, benefits and costs during system development. We also recommended actions for prudent program management and successful system development. The Internal Revenue Service said our recommendations would be implemented if the system is authorized by the Congress. (LCD-76-114, Nov. 23, 1976.)

Procurement of Data Processing Equipment

The Department of Agriculture planned to acquire new or additional data processing equipment for its five regional computer centers. GAO was asked by two congressional committees to review the proposed procurements.

The Department had planned to upgrade the system at the New Orleans computer center because of (1) fears that it could not handle projected workload and (2) insufficient time for a competitive procurement. However, because projected workload increases were not materializing and center personnel had modified software, equipment, and work schedules, the Department agreed with our recommendations to wait and acquire a new system competitively. This action will save about \$2.4 million over a 3-year period. (LCD-77-101, Dec. 1, 1976.)

Agriculture also proposed to acquire a large computer system for the Kansas City computer center to

LOGISTICS AND COMMUNICATIONS

handle its workload and that of the St. Louis center. The system would include a communications network, with about 2,000 online terminals nationwide, for the Farmers Home Administration. The cost of this network alone, over the 6-year system life, was estimated at \$103 million. We felt that consolidating the computer centers was desirable but saw little justification for the communications network. We recommended eliminating it from the request for proposals while the Department studied what benefits might accrue from such a network. We also recommended that, if this network were determined to be cost beneficial, it should be a part of a Department-wide communications system that would be used by various agencies at Agricultural Service Centers. The Department agreed, revising its request for proposals and starting new studies. (LCD-77-114, June 23, 1977.)

Federal Information Management

According to the Department of Commerce's Office of Telecommunications, 46 percent of the Nation's gross national product is derived from producing, processing, and distributing information. The Federal Paperwork Commission estimates the cost of Federal paperwork—internal Government paperwork and paperwork required from the private sector by Federal agencies—to be more than \$100 billion a year. Internal Government paperwork alone is estimated to be \$43 billion a year. The Federal Government's costs for creating, maintaining, and disposing of data increased from about \$4 billion in 1955 to \$18 billion in 1976. The increasing costs, coupled with the technology advances that allow greater centralization of data, have alerted the Congress and the public to the dangers of data misuse and the need for controlling costs.

The Privacy Act of 1974, the Government in the Sunshine Act, and amendments to the Freedom of Information Act illustrate the concern over such misuse. The Congress created, in addition to these acts, (1) the Privacy Protection Study Commission to determine the private sector's need for privacy legislation and (2) the Commission on Federal Paperwork to scrutinize data collection and use and to recommend means to more effectively manage the Government's burgeoning information requirements.

In response to such congressional action, we have given priority attention to this subject. At the end of the fiscal year, we had six congressional request reviews in process covering such matters as film storage and maintenance, waste paper disposal, Federal agency regional implementation of the Freedom of Information Act, law enforcement agencies' costs to answer requests

for information under the Privacy and Freedom of Information Acts, the types of requestors, and Federal contractor compliance with the Privacy Act provisions. Other reviews in process included the management of Federal records centers, the effect of the Privacy Act on the exchange of personal data between Federal agencies, agency actions to protect personal data in automated data systems, and military service efforts to increase the use of microfilm and microfiche.

Distribution Management

Submarine Supply Support

The Navy's 106 nuclear submarines are authorized to carry \$271 million in inventories to sustain uninterrupted supply operations. These submarines are resupplied from 11 submarine tenders and 2 submarine bases which have authorized inventories valued at \$93 million.

Based on our review, we concluded that over a 5-year period, the Navy could save as much as \$106.9 million in future investments in supplies for submarines and tenders while still keeping them ready for combat. We recommended that the Department of Defense direct the Navy to

- eliminate initial estimates of parts needed when updating replacement rates and rely more on the last 2 years' data if the rates are not updated annually,
- require submarine tenders to adopt a more stringent usage criterion for stock levels, and
- change its policy so that submarine tenders will limit increases in stock levels to quantities needed for current operations.

At first the Department of Defense did not agree with our recommendations, but later said they would be phased in. (LCD-76-237, June 7, 1977.)

Overseas Direct Supply Support

The Army's direct support system represents a major departure from its standard overseas supply system, which consisted of two supply pipelines—one from U.S. depots to intermediate overseas depots and another from the overseas depots to the direct support units or supply points. Under the direct support system, peacetime requirements are provided in containerized or palletized shipments from designated depots in the United States directly to Army units overseas. Direct deliveries make possible more economical and effective supply support through smaller inventories, shorter ordering and shipping time, and reduced stock vulnerability to air or nuclear attack.

Direct support is an Army system, but it embraces and depends heavily upon the Defense Logistics Agency and the General Services Administration, the Army's two major overseas suppliers.

Under direct support about 90 percent of the material required overseas must be pre-positioned at or near container consolidation points—designated depots near sea and air ports. However, newly procured Army stocks were not always being pre-positioned at the appropriate depots, and bulk interdepot transfers were not made when needed. In connection with its plan to terminate some depots' supply distribution missions, the Army depleted stocks at these depots by favoring issues from them over stocks from the more opportune storage locations. The Defense Supply Agency also was not pre-positioning stocks at appropriate depots, and searches for stocks to release were, in many instances, made at the more remote depots first.

Therefore, a large amount of material was shipped cross-country in small, uneconomical shipments before being consolidated for overseas transport. Also, the supply pipeline was extended because of longer transit time from more remote depots.

GSA depots were holding direct support system supplies for long periods to accumulate full container loads because (1) on the east coast, officials considered it more economical to ship seavan containers directly to ports than to ship material by truck to the Army containerization point and (2) on the west coast, the Auburn, Washington, depot—800 miles from the containerization point at Sharpe Army Depots, California—was selected to support Pacific customers, rather than the Stockton depot, only 6 miles from Sharpe.

To make the direct support system viable, we recommended that the Department of Defense

- analyze the cost-effectiveness of the system,
- improve the collecting and reporting of performance data,
- eliminate overseas buffer stocks, and
- improve stock positioning, selection, and processing procedures.

We recommended further that the General Services Administration accept the system's goals and strive to attain them and transfer its support of the Pacific system from Auburn, Washington, to Stockton, California.

The Department of Defense, concurring in most of our recommendations, agreed to make a cost-benefit analysis and cited specific corrective actions underway or planned. It said special procedures to accommodate the direct support system should not be undertaken by the Defense Supply Agency until their cost effectiveness had been studied; however, we later learned that the Army and the Defense Logistics Agency were

positioning stocks at an Army east coast depot and were planning to position them at Sharpe depot on the west coast. The General Services Administration agreed to carry out all our recommendations. (LCD-76-219, Oct. 1, 1976.)

Military Airlift of Passengers

We issued several reports about passengers on military-controlled aircraft. One stated that about 2.8 million individuals traveled free on Department of Defense controlled aircraft from fiscal year 1968 through the first quarter of fiscal year 1976. These individuals, who were active or retired military members and their dependents, were traveling worldwide for personal reasons on a space-available basis. The percentage of such passengers increased from about 9 percent in fiscal year 1968 to about 24 percent in fiscal year 1975.

Based on the \$17 average cost of processing a passenger at a military air terminal, the cost to process the 460,000 space-available passengers handled in fiscal year 1975 was about \$7.8 million, we reported to the Secretary of Defense. (LCD-76-230, May 11, 1976.)

Subsequently, the Senate and House Committees on Appropriations recommended charging \$10 at each terminal that a space-available passenger passes through. To insure implementation, the Committees reduced Defense's appropriations for fiscal year 1978 by \$3.5 million.

Foreign Military Sales

To transport and handle military goods, the Department of Defense has absorbed costs of millions of dollars which should have been recovered from foreign customers. We informed the Secretary of Defense that, by law, the Government must recover all costs associated with the sale of material and services to foreign countries, including the costs for accessorial services provided after the sale, such as packing, crating, handling, loading, transporting, and unloading.

Because of improper billing, the Department failed to recover millions of dollars for air and sea transportation. Customers were also undercharged tens of millions of dollars for packing, crating, and handling services because the Department used unrealistic percentage surcharges to compute billings. The Department of Defense may also be absorbing significant costs to replace and reship items to customers who claim loss or damage.

We recommended that the Secretary of Defense direct his Comptroller (1) to discontinue using the percentage surcharge for transportation and port handling costs and to bill the actual costs and (2) to in-

LOGISTICS AND COMMUNICATIONS

crease the surcharge rate for packing, handling, and crating so it covers actual costs. We also recommended that the Secretary establish task groups to review previous shipments and attempt to collect amounts underbilled. (LCD-77-210, Aug. 19, 1977.)

National Defense Reserve Fleet

The National Defense Reserve Fleet is the United States' only reserve dry-cargo shipping source of supplemental transportation during a military or commercial shipping crisis. This fleet's importance increases as the number of break-bulk ships in the commercial fleets and the Military Sealift Command's controlled fleet decrease. However, the Reserve fleet, which is aging and steadily declining in numbers, cannot meet the demands of a national emergency.

Some problems we identified were slow reactivation, the unavailability of some basic spare parts, inadequate onboard inventory systems, and the inability to accurately and quickly determine the fleet's condition and status. After we completed our fieldwork, the Departments of Defense and Commerce jointly sponsored a program to upgrade 30 Reserve fleet Victory ships so that reactivation time could be reduced to 5 to 10 days. Also, some newer ships are being added to the fleet.

The immediate needs for emergency supplemental shipping will be satisfied by these actions; however, we recommended that the Secretaries of Defense and Commerce continually review the entire Reserve fleet to insure that enough merchant ships can be activated and deployed within the time required. We also recommended to the Secretary of Commerce that the Maritime Administration be directed to improve the condition and status of the fleet. The Departments of Defense and Commerce generally agreed. (LCD-76-226, Oct. 6, 1976.)

Acquiring and Managing Facilities

Acquisition and Construction

Economic Analysis for Construction Projects

We reported to the Secretary of Defense that military construction projects proposed to the Congress are seldom subjected to an economic analysis, although such an analysis would result in better decisions. We recommended that the Secretary require the military services to identify on DD Form 1391—the primary form for processing a construction project through budgetary review—whether a project has undergone

economic analysis and if not, why. We also recommended that the Secretary require the military services to review their implementation of Defense's economic analysis policy. The Department will implement our report recommendations. (LCD-77-315, Mar. 28, 1977.)

Consolidation of Air Force Laboratories

At the request of Members of Congress, we reviewed the Air Force's proposed consolidation of its environmental health laboratories and its radiological laboratory. We reported that the Air Force's proposed use of minor military construction funds to finance building modifications and other construction works needed to support the consolidation was contrary to the spirit and purpose of the applicable U.S. statutes.

We recommended that the Air Force submit any construction project resulting from a consolidation to appropriate congressional committees for review and approval. The Air Force submitted the project to the House Committee on Appropriations which approved, pending further study, \$550,000 for the consolidation. The Committee forbade the Air Force to obligate these funds until it had made a thorough study of the advisability of consolidation and the construction requirements and costs for adequate laboratory and supporting facilities. (LCD-77-323, Apr. 6, 1977.)

Trident Submarine Facilities

At the request of the Chairman, House Committee on Appropriations, we reviewed the Navy's fiscal year 1978 requests for funds to contract for support facilities for Trident submarines at Bangor, Washington. Our objective was to determine whether such funds could be cut or deferred.

The Navy requested \$109.4 million for 14 Trident-related projects and \$11.5 million to help local governments pay for increased municipal services and facilities resulting directly from construction and operation of the Trident site. We found that funding needs for several projects were overstated by a total of \$4.5 million. Also, based on scheduled use, \$26.3 million for a wharf on which to load explosives could be deferred without hampering the program. The Navy's budget request was reduced by these amounts. (LCD-77-350, June 22, 1977.)

Operation and Maintenance

Base Support Services

In spite of the Government's general policy of relying on the private enterprise system, about 77 percent of expenditures for base support were for activities

operated and managed by Government personnel. Cost studies for many commercial and industrial activities were omitted, inaccurate, or based on unreliable information.

Instructions were recently issued by the Department of Defense and the Office of Management and Budget to improve the accuracy of these studies. We made recommendations to the Secretary of Defense to correct administrative problems in reviewing and reporting base support services. (LCD-76-347, Mar. 28, 1977.)

Architects and Engineers

To determine the extent that agencies were documenting errors and omissions in plans and specifications, we examined 54 Defense and General Services Administration contracts valued at \$534.2 million. We reviewed 1,575 change orders intended to correct design deficiencies, to determine who was responsible and whether the agencies were recovering costs. Neither agency was documenting facts and circumstances supporting change orders. Consequently, they paid millions of dollars without determining responsibility, thus preventing the Government from recovering costs from negligent architects and engineers.

We recommended that the Department and the Administration identify the causes of errors and omissions, document the design deficiencies, and establish responsibility for them. The agencies generally agreed with our recommendations. (LCD-76-333, July 14, 1977.)

Department of Defense Air Pollution Control

We reported to the Congress that about 70 percent of the Department's major emitters were complying with air pollution standards in January 1977, but that pollution at some installations will continue for several years from all sources except vehicles. The Department generally agreed with our recommendations for monitoring delays and for attaining full compliance. It said it has always acted quickly to attain full compliance but the Government budget system requires 3 years to move an abatement project from inception to approval.

We also reported the status of the dispute between the Navy and the State of California about whether the Clean Air Act, as amended, subjects emissions from jet engines tested in test cells to stationary-source air pollution standards. We recommended that the Congress clarify the law. (LCD-77-305, July 18, 1977.)

Hearing Protection Problems

We reported to the Congress that the Department of Defense is paying millions of dollars for employees' job-

related hearing losses and that safety rules are disregarded and unenforced.

We recommended that the Department

- change from a 90- to an 85-decibel noise exposure limit, where applicable,
- issue guidance on work area surveys to better identify areas of hazardous noise,
- establish a hearing-test monitoring system,
- adopt uniform criteria for deciding when to use engineering controls, and
- provide guidance on enforcing penalties for violators and on carrying out educational programs on hearing protection.

The Department said its noise surveys and enforcement procedures were adequate and, except for engineering control criteria, GAO's proposals were already Defense policy. (LCD-77-308, Sept. 15, 1977.)

Two other reports to the Congress described how the Department of Defense can improve solid waste management and used-oil recycling.

Use and Disposal

Disposal of Federal Surplus Property

GSA has not consistently complied with the thrust of the Federal Property and Administrative Services Act—to promote maximum use of excess property by executive agencies. In some instances GSA disposed of Federal property outside the Government, causing unnecessary expense to a requesting agency, a court action, and uncertainty which delayed disposal of Federal property. GSA also reduced the required Federal screening period on certain types of property, intending to expedite their disposal outside the Federal Government; however, we found no evidence that this action was successful.

We recommended that the Administrator tell appropriate congressional committees why he denied property to a Federal agency in favor of disposal outside the Government. Also, we recommended that procedural deviations be explained to cognizant congressional committees before implementation. (LCD-77-352, July 20, 1977.)

Use of Government-owned Property

Space leased by GSA increased from 69 million square feet (\$282 million in annual rent) in fiscal year 1973 to 88 million (\$473 million) in fiscal year 1977 and is expected to continue increasing. The Federal Property and Administrative Services Act of 1949 and Executive orders emphasize using Government-owned property in preference to leasing or new construction.

LOGISTICS AND COMMUNICATIONS

Better use of such property could save millions of dollars in lease or construction costs.

Our report to the Congress recommended that the Administrator of General Services improve procedures for

- surveying, reporting, and screening available Government property and
- analyzing potential uses of vacant space and the costs and benefits of renovating it.

(LCD-77-314, Sept. 27, 1977.)

Facilities in Europe

The U.S. Army in Europe uses facilities furnished by the German Government; in fiscal year 1975 the Army spent \$504 million to operate and maintain them. The Army (1) had no accurate inventory of the facilities, (2) spent over \$16 million annually to allow bachelors to live off-post when quarters were available, (3) rented houses to ineligible families at rents below operation and maintenance costs, and (4) continued to operate facilities which could have been returned to the German Government. We made recommendations to help the Army manage these facilities better. (LCD-77-313, July 1, 1977.)

Maintenance

During the year, we continued to review military maintenance programs. We looked at how maintenance requirements for peacetime and wartime were determined, whether current capabilities are effective, and how the programs could be improved.

In addition, we pointed out the need for (1) a single manager with authority over the entire military calibration program (LCD-77-427, May 31, 1977) and (2) central program direction of civil agencies' calibration systems and coordination of those systems with the Defense Department (LCD-77-426, June 13, 1977). Another report called for more management action to derive the full benefits of a new aircraft maintenance concept. (LCD-76-443, Nov. 10, 1976.)

Aircraft Maintenance Personnel

The military services spend \$6 billion a year on aircraft maintenance; about two-thirds of this is for below-depot-level maintenance. Over 250,000 military and civilian personnel do this maintenance work.

We reported to the Senate Appropriations Committee that below-depot-level aircraft maintenance personnel requirements are usually based on wartime needs and on assumptions concerning wartime use of

these aircraft. (That is, the services assume that aircraft units must deploy immediately and that maintenance activities must be staffed to support such deployment without relying on Reserve components.)

We recommended that Defense (1) evaluate the assumptions about the use of military aircraft, (2) include current and reliable information in the requirements determination systems, and (3) develop alternatives for greater use of the Reserves to meet below-depot-level maintenance personnel requirements. (LCD-77-421, May 20, 1977.)

Navy Ship Maintenance

The Navy's intermediate-level ship maintenance is done on board 25 tenders and repair ships and at 9 shore bases, at a cost of almost \$500 million a year. We reported to the Congress that wartime requirements have not been adequately defined and the peacetime maintenance organization should provide more economical and effective support.

We recommended that the Navy

- define the maintenance work that should be done at each maintenance level during peacetime and wartime,
- quantify total peacetime and wartime requirements,
- reassess the need for mobile intermediate maintenance activities and shore activities in light of peacetime and wartime requirements,
- consolidate facilities at the more efficient and economical shore bases, and
- improve productivity by (1) establishing an improved management information system which uses labor standards, tracks all labor hours, and controls the accuracy of data and (2) evaluating assignment alternatives to improve personnel training and experience levels.

The Navy generally concurred with our conclusions and recommendations; it is acting to correct those problems not correctable by existing programs. (LCD-77-412, Sept. 23, 1977.)

Navy Aircraft Maintenance

We reported to the Senate Appropriations Committee on the differences between Navy and Air Force maintenance criteria and use rates and on the Navy's reported backlog of aircraft repairs. The Navy had said those repairs would be delayed because of insufficient funds. We questioned whether additional funds should be put into the repair program until all efforts have been made to correct management deficiencies and until the amount of funding which the program should receive can be better assessed.

We recommended that the Air Force and the Navy establish common criteria for determining when aircraft should receive maintenance and that only aircraft actually needing depot work be reported as unfunded backlog. Also, the differences in the services' readiness-reporting systems should be eliminated. The Navy generally agreed. (LCD-77-432, Sept. 1, 1977.)

Productivity Improvement

Work Measurement

Because the Defense Department eliminated the requirement for the services to submit yearly progress reports, we could not effectively evaluate the services' progress. However, available data made it clear that the full potential of work measurement was not being realized.

We therefore recommended that the Department (1) establish a reporting system, (2) monitor the services' actions to insure that they give adequate attention to the program, (3) encourage the services to realign work measurement functions to maximize independence, and (4) survey nonindustrial areas for work measurement applications. The Department agreed with all our recommendations except the one to realign work measurement functions. (LCD-76-401, Aug. 31, 1976.)

Industrial-plant Equipment

The Defense Department owns industrial-plant equipment costing about \$5.4 billion—more than may be needed for peacetime or mobilization requirements. We reported to the Congress that the services (1) have understated the number of hours that machines will be run in a mobilization, (2) do not have practical systems for translating mobilization requirements into equipment needs, and (3) have not accurately or promptly reported their idle equipment. One of our recommendations was that the Department centralize the responsibility for industrial-plant equipment management to provide a mobilization reserve with the resources available at Government and private facilities. The Department agreed to consider a central manager for Government owned and operated facilities. (LCD-76-407, Oct. 5, 1976.)

Government Printing Office Operations

We sent two reports to the Congress on the Government Printing Office, which does most Government printing, binding, and blankbook work. The Office

generally agreed with our recommendations for improving operations (LCD-77-408, Feb. 22, 1977) and production and management controls (LCD-77-410, May 4, 1977).

Readiness

The readiness of U.S. forces continued to receive emphasis during the past year. We looked at the readiness of strategic Army forces and the U.S. command structure in Europe. In the area of readiness planning, we reviewed the Army's contingency planning for the Pacific theater, as well as its planning for three new divisions. We also looked at the preparedness of Federal, State, and local governments for civil defense.

Our other readiness reviews included (1) the withdrawal of U.S. forces from Thailand and ways to improve future withdrawal operations (LCD-77-402, June 3, 1977) and (2) the Navy's multimission carrier airwing and the flexibility options available (LCD-77-409, Sept. 12, 1977).

Army Contingency Planning for Pacific Theater

To meet defense commitments in the Pacific Theater, the Army pre-positions equipment, ammunition, and other supplies for use by U.S. ground forces and allied forces. We reported to the Congress that (1) only part of the war reserves needed for our allies are stored in the area, (2) war reserves stored for U.S. forces would not be sufficient to alleviate an ally's shortage, (3) transportation problems could delay resupply, (4) storage and maintenance of all necessary reserves would be difficult, and (5) logistics support planning needs to be revised.

We recommended that the national policy and the Pacific defense plan be reexamined and the policy, the plan, and U.S. capability be conformed to one another. Also, the Defense Department should evaluate the usefulness of storing war reserves at Pacific locations and should reconsider a proposed \$89 million expenditure for additional Pacific ammunition storage facilities. The Department basically agreed with our recommendations. (LCD-76-430, Oct. 6, 1976.)

Army Planning for Three New Divisions

After the Vietnam war, when the Army had more support personnel than it needed, it converted many support staff-years to combat staff-years. It recently assigned most of them to three new divisions.



James Nobles and Philip Bartholomew, Norfolk regional office, inspect an F-14 fighter on board the carrier America.

We reported to the Congress that the new divisions were inadequately planned. The Army may have activated too many units too soon, since some units do not yet have the proper mix of personnel and equipment for effective training. Also, the divisions are to be based in areas with acute shortages of family housing. The Army may have to build more housing itself, unless legislation is amended to encourage private construction.

The Army, Air Force, and Department of Housing and Urban Development agreed with most of our findings and recommendations. (LCD-76-454, Aug. 4, 1977.)

Civil Defense

Civil defense is a joint responsibility of Federal, State, and local governments. We reported to the Con-

gress that this joint effort has been weakened by (1) the program's relatively low priority, (2) its dependence on voluntary State and local participation, and (3) the lack of a comprehensive civil defense policy.

The current program provides for a Federal, State, and local structure to plan and carry out emergency operations, such as movement to fallout shelters, warning and communications, continuity of government, and relocations of people to safer areas. The program does not adequately consider preparedness for recovery after an attack and is not sufficiently coordinated among the Federal agencies involved.

The varying views on the ability of society to survive a nuclear attack need to be fully examined, to determine whether a stronger civil defense program is needed and, if so, how much it should be funded. The Federal agencies involved agreed with most of our findings and recommendations. (LCD-76-464, Aug. 8, 1977.)

U.S. and NATO Command Structures

The United States participates in two commands in Europe—its own and the North Atlantic Treaty Organization's Allied Command. We reported to the Congress that the latter command can act quickly only by closely integrating its structure with the command structures of its members' forces.

The United States can assist in this process by (1) integrating the U.S. unified command with Supreme Headquarters, Allied Powers, Europe, and (2) integrating component commands and the U.S. European Command. We recommended that the Defense Department insure that the U.S. command structure is best organized to carry out its primary wartime mission. The Department supported our recommendation. (LCD-77-419, Aug. 26, 1977.)

Requirements

Air Force War Reserves

The Air Force maintains spares and repair parts for aircraft and equipment as part of its war reserves. Because the cost of war reserves has increased greatly, we reported to the Congress several alternatives for reducing investments in spares and repair parts while providing effective support.

We recommended that the Defense Department evaluate the Air Force practice of providing a 30-day supply of spares and repair parts for units deploying overseas, considering that units already in Europe have fewer supplies since they can be resupplied in 17 days. Other alternatives include (1) deploying with additional maintenance equipment and personnel for more effective onsite repair capability, (2) establishing a repair center in the theater of operations, and (3) relying on U.S. depots and existing field maintenance capabilities at U.S. bases. (LCD-75-444, Aug. 27, 1976.)

Army Spare Equipment

Equipment called maintenance float is given to operating units whose equipment is being repaired. The Army stated that the maintenance float requirement is about \$966 million.

We reported to the Congress that the Army had not verified the requirement for combat units since about 1971 and that \$23 million of this requirement exceeds stated needs. Also, we questioned the need for \$62 million in maintenance float for noncombat units, primarily because these units were often located with

combat units having similar or identical equipment. The Army's proposed actions should eliminate many of the problems we found. (LCD-76-442, Apr. 5, 1977.)

Medical Supplies in Europe

We found that the Army's medical supply system in Europe costs more than available alternative systems and that pre-positioned war reserve stocks may be inadequate to meet wartime needs. We recommended that the Army (1) use a direct support system for medical supplies, as it does for other commodities in Europe, and (2) evaluate the present method of matching war reserve assets and requirements to insure that mobilization needs can be met. The Defense Department said it would study its European supply system before converting to direct support. (LCD-76-411, Oct. 19, 1976.)

Military Clothing and Textiles

In a report to the Senate Appropriations Committee we concluded that, although the Defense Department is trying to reduce war reserve stocks of clothing and textiles for which there are commercial substitutes, such items have not been completely eliminated from existing stocks or prevented from entering the stocks. In addition, the Department has underestimated the capability of industry to meet mobilization needs. (LCD-77-411, Jan. 24, 1977.)

Ammunition Requirements

In a report to the House Appropriations Committee, we recommended ways to improve the military services' methods of determining conventional-ammunition requirements for the war reserve stockpile. The report also describes the Defense Department's methods for meeting munition needs in Europe. (LCD-77-401, July 20, 1977.)

Foreign Weapon Systems

This report to the Congress dealt with maintenance and logistics problems encountered when the Navy acquired British-produced aircraft. These problems resulted from inadequate planning and inexperience in acquiring and supporting systems from other countries.

The Navy agreed with our recommendation to complete the integrated logistics support functions when

LOGISTICS AND COMMUNICATIONS

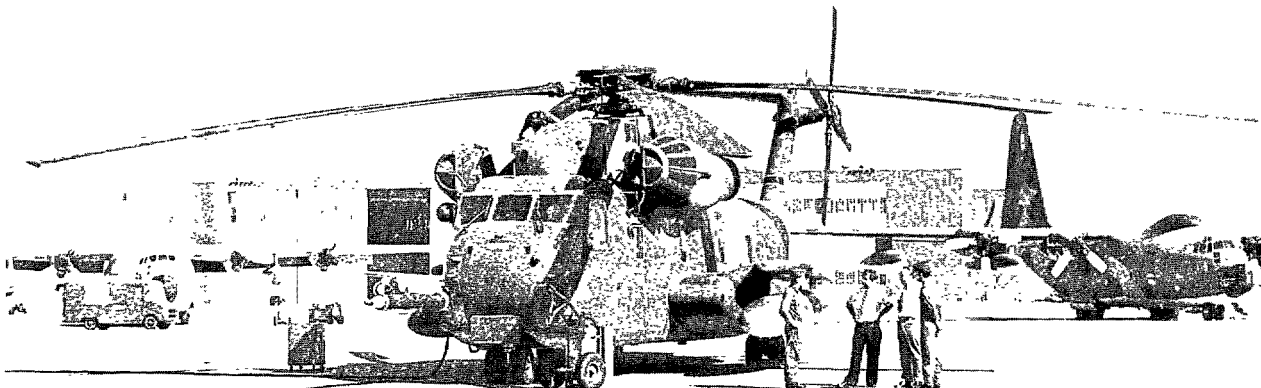
purchasing a system but did not agree to issue supplemental guidelines on logistics support of another country's system. (LCD-76-450, Jan. 4, 1977.)

Interagency Use of Resources

Despite a national policy calling for a coordinated search and rescue network, the Air Force, Navy, and Coast Guard compute their own search and rescue re-

quirements without considering the others' available assets. As a result, they have excess aircraft, people, and equipment. We reported to the Congress that sharing these resources would reduce costs.

We recommended that the agencies (1) jointly determine total search and rescue aircraft requirements for peacetime and wartime and (2) begin joint use—including stationing, training, staffing, and future deployments—of aircraft and crews. The agencies disagreed with these recommendations. (LCD-76-456, May 26, 1977.)



Accompanied by two Air Force pilots, Charlie Vincent and Floyd Adkins, San Francisco regional office, view aircraft used in search and rescue operations.

CHAPTER NINE

PROCUREMENT AND SYSTEMS ACQUISITION

Responsibilities

The Procurement and Systems Acquisition Division monitors the Government's entire procurement function and its science and technology policies and programs. It is concerned with the (1) establishment of needs and operational requirements, (2) identification of technology gaps, (3) support of research and development, and (4) use of contracts and grants to acquire goods, services, and facilities.

Procurement and science and technology activities reviewed are administered largely by the Department of Defense, the National Aeronautics and Space Administration (NASA), the Department of Energy, the General Services Administration, and the Renegotiation Board. These agencies are responsible for most of the Government's annual expenditure for procurement and science and technology; in addition, their grantees procure a large (but unknown) amount of goods and services and advance science and technology. This division is also responsible for auditing the Office of Science and Technology Policy and the Federal Coordinating Council for Science, Engineering, and Technology.

Richard W. Gutmann is Director of the division, and John F. Flynn, Morton A. Myers, and Jerome H. Stolarow are Deputy Directors.

Importance of Science and Technology

The Nation's science and technology is complex and contributes to practically all aspects of our economy,

productivity, quality of life, and international relations. The Government plays a major role in supporting science and technology.

Most major Federal programs depend on research and development. Federal spending for research and development in fiscal year 1977 totaled more than \$25 billion—half for defense activities and half for civil and space programs.

Volume of Federal Procurement

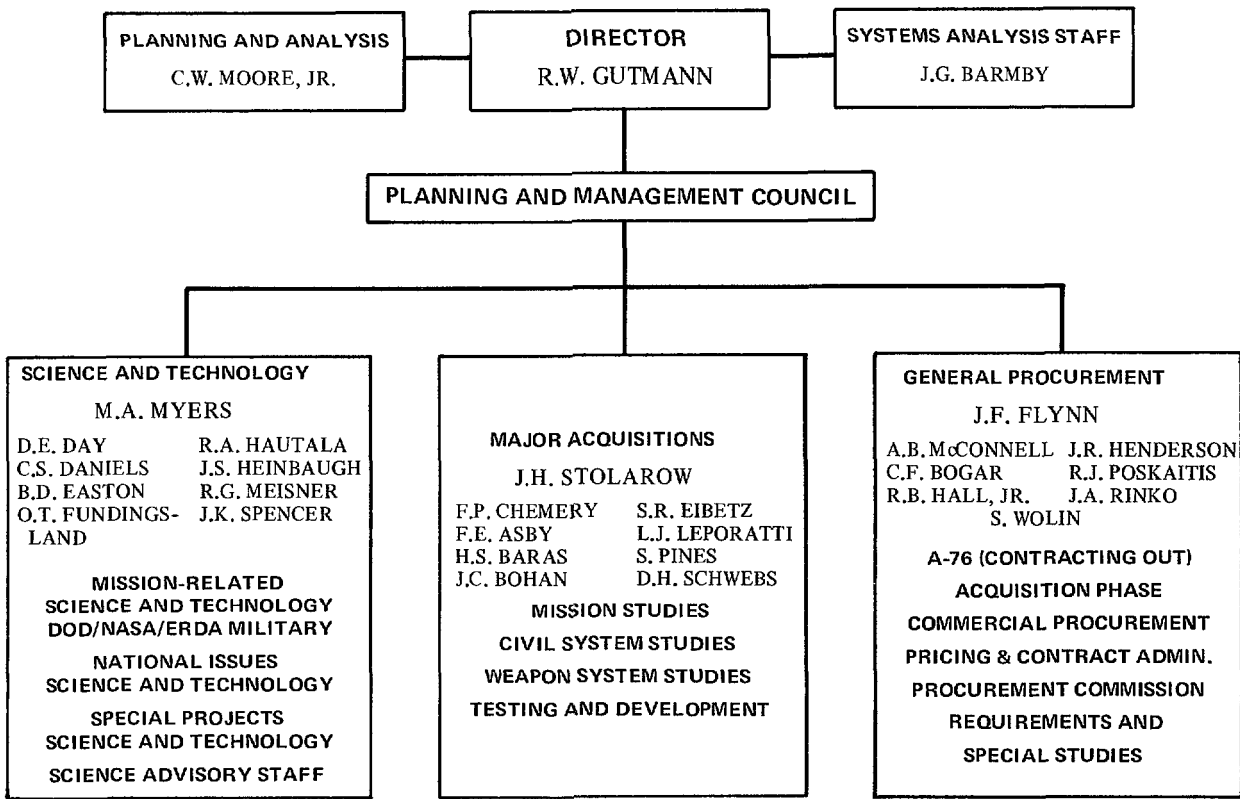
Federal agencies awarded contracts and placed orders with commercial firms for over \$61 billion worth of supplies, services, and equipment—excluding research and development—during fiscal year 1976. The major portion of this amount was spent by the Department of Defense and the military services. In addition, State and local governments spend about \$120 billion annually on goods and services, and an estimated \$20 billion of this amount is Federal grant funds.

Magnitude of Systems Acquisition

Our report to the Congress on the June 30, 1976, status of major civil and defense acquisitions (PSAD-77-62, Jan. 18, 1977) included financial data on 753 systems estimated to cost \$452 billion on completion—an increase of \$176 billion over initial estimates. The estimated cost was \$209 billion for 606 major civil systems and \$243 billion for 147 major defense systems.

Our reviews of major systems have three principal objectives:

- Assuring that needs and goals are adequately defined and supported, periodically evaluated, and satisfied through acquisition programs reconciled with the agency's overall mission, capabilities, and resources.



SEPTEMBER 30, 1977

- Assuring—through testing and evaluation, studies and analysis, and reviews of field exercises—that systems can meet technical specifications and practical needs.
- Informing the Congress about the management of major acquisitions for which funds are being requested, their progress, and issues concerning them.

Science and Technology

Various aspects of science and technology were reviewed in 20 reports to the Congress and its committees and Members. Two reports were addressed to agency officials. On 10 occasions congressional inquiries were answered through oral reports.

Some of the 40 audits of civil and defense research and development activities in process at yearend related to

- issues of national concern, such as food and nutrition, fire and arson, bridge deck corrosion, and the Government's role in deep ocean mining,
- defense programs, including tactical signal intelligence electronic warfare, towed array sonar systems, and defensive chemical warfare,
- issues relating to a number of NASA's space program projects, including the large-area crop inventory experiment, the Space Transportation System, Landsat, and Seasat,
- nuclear weapons programs, such as cruise-missile warhead development and nuclear weapons testing,

Audit Reports

During fiscal year 1977, 110 reports on Federal procurement practices, the acquisition of major systems, and science and technology programs were provided the Congress and its committees. Thirty reports went to Members of Congress and 28 to department or agency officials. A total of 77 congressional requests for information were handled orally.

The written reports are listed in appendix 2 and some of the major reviews in this subject area are summarized in this chapter.

- Federal and private scientific and technical information services, and
- management of Federal research and development laboratories.

Science Advisory Staff

This group provides the staff support needed by the Comptroller General as a member of the Technology Assessment Advisory Council of the Office of Technology Assessment and provides liaison between that Office and GAO. Other duties involve leading GAO in science and technology assignments and serving as liaison with the scientific and engineering community.

Issues and Management Problems in Developing an Improved Air Traffic Control System

About \$25.5 billion will be needed through 1985 for the Nation's air transportation system—\$18.8 billion to operate, maintain, and administer the system and \$6.7 billion to research, develop, and implement improvements in airports and equipment. Included is a \$713 million program underway to develop a better air traffic control system for use during the 1980s and 1990s. The program, known as the upgraded third generation air traffic control system, is designed to improve safety, hold down costs, and increase capacity.

The Federal Aviation Administration started developing the program in the early 1970s. Since then, the growth and changing needs of aviation have affected the program's priorities. The Administration should decide to further develop upgraded third-generation projects only after detailed analysis of each project's value and relation to program objectives.

In a report to the Congress, we recommended that the Secretary of Transportation require the Administration to improve its management of program development by (1) establishing a formal process to define long-range operational requirements, (2) incorporating criteria for estimating cost, schedule, and performance in development plans and decision papers and use these criteria to measure progress, (3) strengthening systems analysis and using cost-benefit analyses in planning and appraising development, (4) devising, early in the development cycle, a strategy for implementing the system, coordinated with the personnel who will operate it, and (5) defining responsibility for testing and evaluation and establishing an operational testing group independent of the development function. The Department of Transportation generally agreed with our recommendations.

We also recommended that the Congress, during oversight and authorization hearings, make sure that

the Department and the Federal Aviation Administration are following the acquisition policies prescribed by the Office of Management and Budget and the Office of Federal Procurement Policy for analyzing agency missions and needs, setting program objectives and system requirements, planning and controlling programs, and testing and evaluating results.

These matters and the actions taken by the Administration to implement our recommendations were considered by the Senate Appropriations Committee during hearings on the Department of Transportation's budget for 1978. (PSAD-77-13, Dec. 15, 1976.)

Mission Budgeting

Concern has been growing in the Congress and elsewhere about the way the Federal budget is presented, the limitations it imposes on congressional review, and the lack of control over Federal programs. The Congress gets a great mass of detail, but not a coherent picture of what the money is for and why it is needed.

Our report to the Congress discussed a new concept called mission budgeting, which is intended to alleviate these problems. We used the 1978 research and development budgets for energy, defense, and space to illustrate how the concept works.

The new concept would restructure the information presented in the budget so that agency activities are linked first to needs, then to important areas of agency missions, and at the highest level to an agency's basic mission responsibilities. Activities would be funded, not by the type of work involved, but by these factors.

We concluded that mission budgeting could improve the budgetary process because it would open to congressional review the policies and assumptions underlying executive spending decisions and provide a framework for controlling Federal programs. The framework would permit a new program to become visible at its start, when the Congress can assess its need and priority, before it acquires momentum, and would encourage the exploration of various approaches before the Government gets locked prematurely into the largely uncontrollable cost of any one solution.

Additional advantages seen for the new budget concept are that it would help to

- formulate presidential and Federal agency budgets according to purposes, needs, and priorities,
- coordinate or reorganize Government agencies and functions according to major purposes,
- clarify mission responsibilities of the Federal agencies and keep them relevant to national policies and needs,

PROCUREMENT AND SYSTEMS ACQUISITION

- make agencies accountable for program results, that is, in terms of the level of mission performance funded by the Congress,
- provide a single budget system oriented to both executive and congressional needs, and
- implement pending “sunset” legislation.

Accordingly, we recommended that the Congress begin experimenting with this new concept. (PSAD-77-124, July 27, 1977.)

U.S. Lethal Chemical Munitions Policy: Issues Facing the Congress

Department of Defense policy is to maintain a chemical munitions stockpile to deter or retaliate for enemy chemical attacks. The Department considers its stockpile inadequate and wants to add new munitions.

The Congress will need to address several issues before deciding whether to fund a program to maintain or upgrade the stockpile. Our classified report to the Congress discusses several issues:

- Why does the United States stock chemical munitions?
- What chemical munitions are needed?
- What new chemical munitions are being developed?
- What is the threat to U.S. forces of chemical warfare?
- What constraints would delay a U.S. chemical retaliation?

We recommended that, as long as the United States has a chemical stockpile, the Secretary of Defense develop and document procedures to make it as effective a deterrent as possible.

Defense agreed with our recommendation, but stated that it faces many constraints, such as arms control negotiations and political and legal considerations, in implementing the recommendation. If the Department finds that these constraints prevent it from implementing the recommendation, the need to maintain a chemical stockpile should be reevaluated. (PSAD-77-84, Sept. 21, 1977.)

The Defense Department Should Not Pay To Develop Commercial Products

Two aircraft engine manufacturers charged some costs for developing commercial engines to their independent research and development programs, causing a portion of these costs to be allocated to Department of Defense contracts. Although the contractors disagree, we believe such allocations are inappropriate and the costs of developing commercial products should be paid with company funds.

We recommended in our report to the Congress that the Secretary of Defense revise the Armed Services Procurement Regulation to clearly define independent research and development as excluding the costs of (1) developing commercial products and (2) technical work implicitly required to fulfill a purchaser's requirement. We also recommended that the Secretary provide Government reviewers with the means of verifying the allowability of costs, if necessary revising the Armed Services Procurement Regulation to authorize the Government to review contractors' commercial records.

The Department said it agreed with our recommendations and was instituting a certification procedure. Contractors are to certify that no costs are being charged to independent research and development which would be required to fulfill contracts, grants, or other arrangements, commercial or Government. The Department believes that if contractors are required to sign such certificates, access to their commercial records becomes unnecessary.

We questioned the effectiveness of this approach. Without a clear definition in the procurement regulation, explicitly and implicitly required technical effort will be defined differently by contractors and the Department of Defense. More importantly, reviewers must have access to commercial records to verify the cost data being certified.

If the Department cannot obtain access to contractors' commercial records, legislative action may be necessary. (PSAD-77-57, Feb. 28, 1977.)

Operation Breakthrough—Lessons Learned About Demonstrating New Technology

The Congress has recognized the need for greater use of technology to help solve the Nation's domestic problems. The Government has a continuing role in authorizing and funding technology demonstrations (such as in solar and geothermal energy) which involve complex relationships among Federal agencies, State and local governments, and the private sector.

One example is Operation Breakthrough, begun in 1969 by the Department of Housing and Urban Development to make more housing available to low-income families by demonstrating the advantages of prefabricated housing and reducing barriers to its construction. Operation Breakthrough is almost complete, having cost \$72 million. We reviewed Operation Breakthrough to find out what it had accomplished and the lessons to be learned about planning and managing technology demonstration programs.

Operation Breakthrough has not transformed the housing industry. It has, however, supported useful changes by

- exposing builders to new construction methods and materials,
- exploring new methods of evaluating housing construction,
- encouraging changes in building code requirements,
- supporting statewide building codes, and
- testing new labor agreements for prefabricated housing construction.

The program's objective was to create sufficient housing markets to support the high production level required for efficient prefabricated housing construction. Most of the 22 housing systems sponsored in the demonstration, however, are no longer produced. Operation Breakthrough did not accomplish its objectives because (1) unexpected decreases occurred in the housing market, (2) the Department of Housing and Urban Development suspended subsidized-mortgage housing programs, and (3) some housing systems lacked the potential to save costs. In addition, the program did not answer the Congress' questions about cost savings from prefabricated housing.

Operation Breakthrough has illustrated the need for

- thorough preliminary work to develop design criteria, evaluate proposed approaches, and analyze market uncertainties,
- feasible strategies to overcome marketing problems,
- research to resolve technical questions, and
- planning for program evaluation.

(PSAD-76-173, Nov. 2, 1976.)

Space Activities

We issued 10 reports on NASA programs and activities. Five are summarized below.

Landsat Project

Landsat is the National Aeronautics and Space Administration's experimental project to determine the usefulness of satellite-acquired data in managing the Earth's environment and natural resources. Agencies participating in the project include the Departments of Agriculture, Commerce, the Interior, and State; the Army Corps of Engineers; the Coast Guard; the Environmental Protection Agency; and the Agency for International Development. Costs for the first three missions and a proposed fourth mission are estimated by NASA at up to \$656 million.

We reported to the Congress the need for a clear statement of Government policy on support of an operational Landsat system. Such a policy must consider technical, political, economic, institutional, and inter-

national questions which are complexly interrelated and transcend individual agency responsibilities. The Government should commit itself to supporting an operational system only if further study demonstrates that the benefits justify allocating the resources required.

We recommended that the Director of the Office of Science and Technology Policy, in conjunction with NASA and other Federal agencies, study the issues involved and recommend a Government policy role in satellite-based remote-sensing technology. We identified a number of subjects for such a study. The Director agreed with our recommendation. (PSAD-77-58, June 10, 1977.)

Our report was the basis for our June 13, 1977, testimony before the Subcommittee on Science, Technology, and Space of the Senate Committee on Commerce, Science, and Transportation on the merits of S. 657, the "Earth Resources and Environmental Information Systems Act of 1977."

SEASAT-A Project

The SEASAT-A project proposes in 1978 to orbit a spacecraft with sensors to measure ice fields, winds, ocean waves and currents, sea temperatures, and atmospheric water vapor. Several Government agencies, nonprofit organizations, and commercial enterprises are expected to participate.

In justifying the project to the Congress, NASA noted that other organizations would provide staff and money to use the satellite data. We reported to the Congress that, although prospective users have shown interest and participated in the project's development, no private organization has committed any money. Government agencies planning to use the data, primarily the National Oceanic and Atmospheric Administration, are having difficulty obtaining funds.

NASA is having trouble with the satellite's cost, schedule of development, and performance because of many technical problems and a \$5 million increase in the estimated cost of the launch vehicle. It also did not identify and report to the Congress at least \$12.3 million in project-related costs. It is reviewing its January 1977 cost estimate of \$80.5 million to account for recent development problems and scope changes.

An economic assessment of the operational SEASAT program, scheduled to begin in 1985, overstated benefits, failed to consider uncertainties facing the users, and did not explore adequately the cost of an operational program through the year 2000.

We recommended that, in view of user agencies' funding problems, the Congress require NASA (1) to keep it informed of funds contributed by other organizations and of the status of user agreements and (2) to analyze the costs and benefits of an operational

PROCUREMENT AND SYSTEMS ACQUISITION

SEASAT system by using realistic cost estimates and to periodically update these estimates for consideration during deliberations on any followup satellite in the SEASAT program.

We recommended that the NASA Administrator

- formalize agreements with potential users of SEASAT-A data, particularly the National Oceanic and Atmospheric Administration, to guarantee that they contribute resources to the SEASAT-A project before the program is expanded beyond the project stage,
- identify, on the SEASAT-A project status report, all costs, cost increases, and important schedule and performance data and submit the report to each committee of the Congress having oversight and appropriations responsibilities for NASA,
- demonstrate, before expanding the program beyond the SEASAT-A project phase, that SEASAT-A data can achieve its stated scientific objectives, and
- determine all costs identifiable with an operational SEASAT system.

NASA did not address our recommendation on obtaining formalized agreements with users and disagreed with our other recommendations. (PSAD-77-126, Sept. 16, 1977.)

Data Analysis

NASA develops and operates spacecraft to gather data on phenomena in space. It has invested billions of dollars on launch vehicles and satellites which transmit volumes of space science data to Earth. Such data should increase our knowledge and further scientific exploration of such areas as the history of the universe, the physics of stars, and the search for other life and cultures.

NASA has structured its space science program primarily around individual scientists who are competitively selected from within NASA or elsewhere for contracts or agreements to carry out investigations. These scientists, usually referred to as principal investigators, actively participate with NASA from the experiment's inception until the primary data analysis is completed and the processed or reduced data is stored at the National Space Science Data Center. The Data Center is NASA's primary facility for acquiring and disseminating space science data to be analyzed by scientists other than the principal investigators and their coworkers.

Data acquired in NASA's space programs sometimes reaches the Center late or not at all, because:

- Contracts and written agreements which required principal investigators to submit data were not enforced.

—Too little money and time were available to these investigators for data analysis.

—The Center was understaffed.

We recommended that, when evaluating NASA's program content and budget requests, the Congress examine the allocation of resources between gathering and analyzing space science data. We also recommended certain actions to improve the Data Center's management. NASA agreed. (PSAD-77-114, June 27, 1977.)

Space Transportation System

The Space Transportation System, under development since 1971, is to provide a new system that will reduce space operations costs and support a wide range of scientific, defense, and commercial uses, beginning in the 1980s.

NASA's current cost estimate of \$13.2 billion for system development and production excludes about \$2.3 billion for Government salaries, travel, and related costs for shuttle development to be funded separately by NASA. Through fiscal year 1977 the Congress had appropriated about \$4.4 billion to NASA and \$106 million to the Department of Defense for Space Transportation System development. However, it has yet to approve a full-scale operational Space Transportation System by authorizing production of additional orbiters and construction of a second-line launching and landing facility at Kennedy Space Center. Funds required to carry out the NASA and Department of Defense plan would total about \$3.4 billion, of which \$2.1 billion is for three additional orbiters (for a total of five), \$1.2 billion is for Vandenberg Air Force Base construction facilities and \$0.1 billion is for Kennedy Space Center Facilities. Additional Government funds would be needed for shuttle operations and for the design and development of payloads.

The decision to proceed with or delay production of the three orbiters is difficult; however, NASA and Defense officials want to proceed. Our report to the Congress discussed the issues that should be considered.

NASA had not determined what the total cost of operating the Space Transportation System would be or how much a user would have to pay. Cost estimates for a portion of its operations had been prepared, and a preliminary charge policy for shuttle users was under consideration.

NASA's proposed policy is to recover shuttle operations costs, not for each flight or for each year, but over the 12-year projected operating life of the program. Users will be charged less than actual operations cost in the early years to encourage them to use the shuttle. The additional costs are to be recovered in

later years. This average-cost concept, together with other policy provisions, raises doubt about whether total operations cost will ever be recovered. We recommended that the NASA Administrator delay implementing a user charge policy until costs are identified and policies formulated for all elements of the Space Transportation System. NASA and Defense officials disagreed.

We further recommended that, until there is sufficient confidence in the shuttle development program and more information is available on the System's operating cost and on plans for space activity, the Congress assess the advantages and disadvantages of initiating the production of a third orbiter and delaying funding of the remaining two orbiters. (PSAD-77-113, May 27, 1977.)

Project Status Reporting System

NASA reports on the status of projects when requested by the Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations. These reports cover costs, schedules, and technical aspects.

Our report to the Congress noted that changes in the content, preparation, and format of the reports are needed to make them more useful to the Congress in authorizing and appropriating funds for major NASA systems. We recommended that the NASA Administrator revise the project status reports to describe the need for the projects, the contributions of other organizations, and total costs and funding and provide more perspective on progress, problems, and pending decisions. NASA disputed our recommendations that the status reports show total project costs and more detailed information on funding. (PSAD-77-54, Jan. 27, 1977.)

General Procurement

General procurement audits resulted in reports on (1) the reasonableness of shipbuilder claim settlements under Navy contracts, (2) pension plan costs of selected Defense contractors and the Department's efforts to monitor such costs, (3) the effectiveness of the labor surplus policy, (4) a new concept of mission budgeting, (5) the need to revise contracting for Navy ship repair and overhaul, (6) improvements needed in administration of repair contracts, (7) the pricing of noncompetitive contracts subject to the Truth-In-Negotiations Act, (8) the need to improve competition for negotiated procurement, (9) the need to restructure the Defense Department program for plan-

ning with private industry for mobilization production requirements, and (10) the failure of the Federal Supply Service to buy goods at the lowest cost.

In all, 21 reports were submitted to the Congress and congressional committees, 22 to Members of Congress, and 23 to departmental officials during fiscal year 1977.

Work in process at the close of the fiscal year included (1) Government surveillance of contractor pension programs at Government-owned, contractor-operated plants, (2) Navy efforts to prevent shipbuilder claims, (3) contracting for professional services, (4) the pricing of various prime contracts and subcontracts, (5) the Government's specification and standards program, (6) Air Force requirements for training equipment, (7) high-priority procurements by agencies from the General Services Administration, (8) cities' procurement practices, and (9) the feasibility of awarding multiyear contracts.

Testimony

On June 1, 1977, we testified before the Subcommittee on Minority Enterprise and General Oversight, House Committee on Small Business, on the Department of Defense minority-business subcontracting program. We discussed the reasons the program was not working well, the lack of direction, and the absence of the minority-business enterprise clause in defense contracts of 39 of the top 100 prime contractors.

In June 1977, the Deputy Comptroller General testified before the Senate Committee on Banking, Housing, and Urban Affairs on a bill to revise and extend the Renegotiation Act of 1951. He explained why the procurement structure is unable to eliminate the possibility of excessive profits on Government contracts.

He supported many of the proposed revisions: (1) eliminating percentage-of-completion accounting for renegotiation purposes, (2) renegotiating product lines, (3) eliminating certain exemptions, (4) obtaining factual data on other exemptions, and (5) raising the minimum size of defense contracts that are subject to the act.

He also reiterated GAO's concern that the Renegotiation Board lacked guidelines for applying the statutory factors for determining excessive profits.

On July 12, 1977, the Comptroller General testified before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, on our activities concerning Office of Management and Budget Circular A-76 and its implementation by the Department of Defense. In addition to providing an overview of our past and current work, his testimony focused on

PROCUREMENT AND SYSTEMS ACQUISITION

- the recommendations of the Commission on Government Procurement,
- OMB guidance on cost comparisons,
- retirement benefit costs to employees in the public and private sectors, and
- Federal blue-collar wage levels.

In this testimony, the Comptroller General announced the establishment of a task force within GAO to review executive agencies' policies and programs for acquiring commercial or industrial products and services for Government use. A report to the Congress on this effort is to be prepared early in 1978.

On July 19, 1977, the Comptroller General testified before the Subcommittee on Federal Spending Practices and Open Government, Senate Committee on Governmental Affairs, on a bill to provide policies, methods, and criteria for executive agencies acquiring property and services. Discussions involved agencies' authority to waive various measures to oversee contractors' activities, GAO authority to examine records, and certain proposed provisions which were not in accord with recommendations of the Commission on Government Procurement.

Shipbuilder Claims

The Navy's effort to increase its fleet has been plagued by shipbuilder claims that have steadily grown to over \$2 billion, jeopardizing its relationship with contractors.

We have been deeply interested in this program and the claims problem for some time. We reported to the Congress in 1971 on information submitted in support of claims, in 1972 on causes of claims, in 1975 on the status of settlements, and in 1977 on the reasonableness of settlements. Numerous other reports went to individual congressmen and committees. In the 1977 report to the Congress, we stated that the Navy's procedures for settling claims were generally adequate but were hampered somewhat by overstatements of amounts claimed by the shipbuilders. We recommended that the Navy specify the minimum documentation in support of claims, develop guidelines on settling amounts for disruption, make prompt temporary payment on individual line-item amounts, and analyze causes of the claim to assure that corrective actions previously taken are working. The Navy has agreed to these changes. (PSAD-77-135, Aug. 9, 1977.)

Questionable Pension-Plan Costs Under Government Contracts

The Department of Defense makes an estimated \$1 billion annual contribution to contractors' pension plan

funds. Of nine contractors reviewed, eight had over \$100 million of questionable pension-plan costs, excluding profit, that were or may be charged to Government contracts. The Department's curtailment of reviews of certain contractors' pension plan costs was also dubious. The questionable costs resulted from (1) unrealistic actuarial assumptions, (2) inequitable allocation of costs and assets, and (3) the lack of Defense personnel with actuarial skills to monitor such costs. In our report to the Congress we made a number of recommendations to prevent the recurrence of questionable costs. For example, we recommended that the Department obtain additional staff with actuarial skills to help determine (1) if pension plan costs are reasonable and equitably allocated to the Government contracts and (2) if the Armed Services Procurement Regulation and Cost Accounting Standards Board guidelines are complied with.

The Department has recovered \$1.8 million so far. (PSAD-77-100, May 19, 1977.)

The Labor Surplus Policy: Has It Been Effective?

Defense Manpower Policy Number 4 (also known as the labor surplus policy) was instituted in 1950 by an Executive order of the President. Under the policy, Government contracts are set aside for firms in areas of high unemployment, and a further preference is given to those firms who agree to hire disadvantaged persons.

Recent years have seen a decline in an already small percentage of procurements set aside for firms in labor-surplus areas, while unemployment in the United States has been increasing or remaining high. The effectiveness of the labor surplus policy has been hampered by (1) a lack of aggressive implementation by Federal and State agencies, (2) the inability to provide total set-asides, (3) competing social programs, such as the small business program, and (4) broad and inflexible definitions of labor-surplus areas.

We recommended that Congress either strengthen the policy by writing it into law and providing for its modification or rescind it and rely on other programs to direct Federal procurements to economically distressed areas.

The Departments of Labor and the Interior and the Small Business and Veterans Administrations generally agreed. Labor commented that it was working on modifications to the policy. The General Services Administration felt that the policy's main purpose was to prepare for defense mobilization rather than to pursue socioeconomic objectives. (PSAD-77-133, July 15, 1977.)

The Need To Change Contracting for Navy Ship Repairs and Overhauls

The Navy generally awards ship repair contracts under formal-advertising, sealed-bid procedures, even though effective competition is lacking and the scope of work is unknown at the time of awards.

The limited number of private shipyards (some times only one) competing for Navy contracts and the Navy's inability to accurately describe the scope of work cancel the benefits of formally advertised contracting. The private shipyards know that competition is slight, recognize that the price of their original contracts will be modified for substantial work whose quantity is unknown, and can anticipate negotiating many of these modifications with knowledge of actual costs which is not made available to the Navy.

Recognizing that these conditions have existed for many years without satisfactory resolution, we recommended in our report to the Congress that the Navy test the use of competitive negotiations rather than formal advertising for procuring ship repairs and overhauls. The Navy agreed to test the use of competitive negotiation on the overhaul of the U.S.S. *Mullinix*. (PSAD-77-47, Dec. 10, 1976.)

Need To Improve the Administration of Repair Contracts

In contracting for repair and overhaul of equipment, agencies frequently use "time and material" contracts. Under this type of contract, the Government pays for each hour of direct labor and the actual materials charged to the contract by the contractors. We found improper charges in each of eight time and material contracts. As a result, the General Services Administration started action to collect \$464,000 in contractor overcharges.

In reporting this matter to the Congress, we recommended that the Administrator of General Services establish procedures to prevent future overcharges on time and material contracts. We also recommended that the agency follow up on similar matters discovered by its own internal auditors. Corrective actions were promised. (PSAD-76-179, Dec. 27, 1976.)

Pricing of Noncompetitive Contracts

We reported to the Congress on the pricing of noncompetitive contracts subject to the Truth-In-Negotiations Act. In 28 noncompetitive prime contracts and subcontracts, valued at about \$400 million, Department of Defense personnel were effectively carrying out the system for pricing noncompetitive contracts. However, these contracts were overpriced by about \$22 mil-

lion because (1) contractors and subcontractors submitted inaccurate, incomplete, or outdated data, (2) prime contractors inadequately evaluated subcontractors' proposals, and (3) Government personnel inadequately evaluated prime contractors' proposals.

Reviewing contracts is one way we monitored the Defense Department's adherence to laws, regulations, and procedures in negotiating contract prices. The results of each contract review were reported to the purchasing office responsible for the contract and, when appropriate, to the Secretary of Defense. Purchasing offices are usually responsive to our recommendations for determining whether the Government is legally entitled to a price reduction and whether policies and procedures could be followed better. Eight contracts have been reduced by \$7.8 million and purchasing offices are deciding on the remaining contracts.

We recommended that the Secretary of Defense emphasize to all purchasing offices and field pricing-support agencies the need for strict compliance with procurement procedures and regulations in negotiating noncompetitive contracts. The action proposed by the Secretary of Defense in response to our recommendation was responsive. (PSAD-77-91, Apr. 11, 1977.)

Department of Defense Program for Planning Mobilization Production Requirements

Defense's mobilization planning with private industry does little to strengthen U.S. industrial capacity to meet emergency requirements. Adequate analysis is often lacking and little is done to correct problems identified. Consequently, the program has lost industry's confidence.

Instead of continuing the program on the present scale, the Department should bring planning objectives in line with available resources. We recommended that the Secretary of Defense restructure the program, determining its priority in the overall defense strategy and matching what can be accomplished with the resources to be committed. The Department of Defense said it was devoting more attention to improving the program's effectiveness. (PSAD-77-108, May 13, 1977.)

Increased Competition Is Needed in the Award of Professional Service Contracts

Historically, the Congress has required that the Government purchase goods and services under maximum competition. Offering all qualified firms the opportunity to compete helps to minimize favoritism and collusion and to obtain acceptable products and services at the lowest prices.

PROCUREMENT AND SYSTEMS ACQUISITION

We reviewed noncompetitive awards for professional services at five major civilian agencies. Our report to the Congress said agencies were awarding many contracts noncompetitively when competition was feasible. We recommended that these agencies reduce their awards of noncompetitive contracts by (1) ceasing to award noncompetitive contracts at the end of a fiscal year for the purpose of expending available funds, (2) requiring that procurement offices be notified as soon as requirements become known, to maximize the time available to attract competition, and (3) permitting only authorized contracting officials to solicit proposals.

For the most part, the agencies have acted to reduce noncompetitive procurements as recommended. (PSAD-77-152, Sept. 15, 1977.)

Cooperative Audit of Oregon's Purchasing

Recognizing the large amounts of Federal funds spent by State and local governments (\$58 billion in fiscal year 1976), we cooperated for the first time in a review of a State purchasing system. A team made up of GAO and State auditors evaluated procurement in the State of Oregon. The resulting report demonstrated opportunities for major savings. It has been widely disseminated and will serve as a guide for other States in evaluating their purchasing systems. Both the Oregon congressional delegation and State officials were pleased with the effort, which demonstrated the potential for Federal and State cooperative audits. (PSAD-77-15, Jan. 10, 1977.)

Questionnaire on City Purchasing

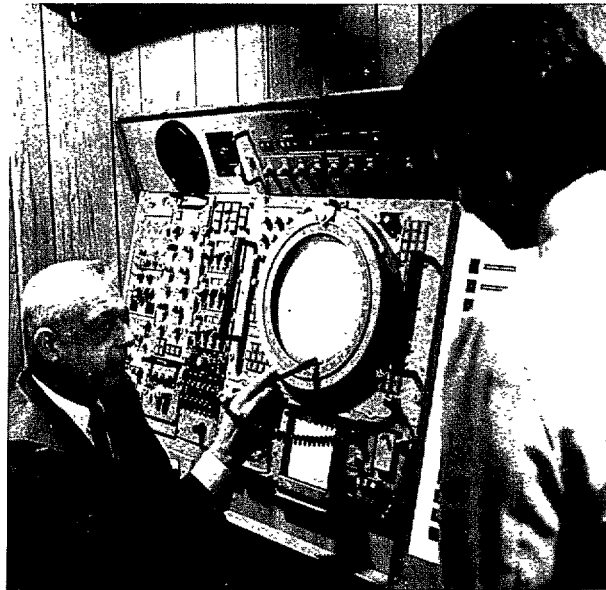
We sent a questionnaire on procurement practices to 763 U.S. cities receiving Federal grants. Our purpose was twofold: (1) to increase knowledge of what purchasing practices are being used and (2) to evaluate the effect of Federal grantor-agency procurement requirements on local purchasing. The survey resulted in an information report distributed to State and local procurement and audit officials, public interest groups, and many other parties requesting it. Numerous problems were indicated by the cities' responses. Followup work will enable us to pinpoint problem areas and to contribute to more efficient and economical purchasing by cities, which will benefit all levels of government. (PSAD-77-88, Apr. 29, 1977.)

Major Acquisitions

During fiscal year 1977, 70 reports to the Congress and congressional committees, 6 to Members of Con-

gress, and 3 to departmental officials were submitted on various phases of major civil and defense system acquisitions and on certain combat and strategic missions.

Examples of work currently in process include reviews of key issues and financial status of selected major civil and defense systems, cost growth in civil agencies' major projects, the effectiveness of various deployed systems, operational testing and evaluation of weapons systems, the Navy's future fleet level, the impact of certain changes on strategic mobility requirements and the assumptions used in the Defense strategic mobility study, the status of the Airborne Warning and Control System in relation to the North Atlantic Treaty Organization (NATO) airborne early-warning and control program, and the prospects for making standardization/interoperability within NATO a reality and for U.S. industry to cooperate in development and coproduction programs with NATO partners.



Hugh Strain, of the Procurement and Systems Acquisition Division, studies the intercept operator's console of the Navy's Airborne Warning and Control System.

(Courtesy of U.S. Navy)

F-16 Multinational Fighter Aircraft Program

The F-16 multinational fighter program is expected to produce a relatively low-cost fighter aircraft for the United States and the four European nations (Belgium, Denmark, The Netherlands, and Norway) participating in production. It will also act as a good

of the program, including the test program; and that the monitoring systems we recommended have been initiated. (PSAD-77-41, Apr. 1, 1977, and PSAD-77-40, Aug. 15, 1977.)

Cruise Missile Programs

In the past few years, Navy and Air Force cruise missile programs have moved from low to high priority. Variants are planned for different missions. Cruise missiles are being discussed at Strategic Arms Limitation Talks, and their future role may be determined more by the outcome of the talks than by military need.

We reported to the Congress that the planned use for cruise missiles has changed and the military need for some versions is unproven. For example, during 1976 the Air Force planned to develop its cruise missile as a relatively short-range missile sized to fit on existing missile racks within the aircraft. However, a Department of Defense decision in January 1977 gave priority to a large missile with greater range that will not fit on existing racks.

The Navy also changed its plans for its TOMAHAWK cruise missile during 1976. No longer to be used as strategic weapons, Navy sea-launched cruise missiles will now augment existing nuclear forces. Further, in January 1977, the Department of Defense ordered development of a ground-launched version of the Navy's TOMAHAWK, to be used by the Air Force. The effect of a ground-launched TOMAHAWK on existing nuclear weapons is not clear.

We recommended that the Secretary of Defense re-evaluate the role of cruise missiles to assure that continued development is directed toward specific military requirements that relate to mission needs. Specifically, we recommended a thorough study of the threat cruise missiles are intended to answer; each service's requirements, in particular the Navy's, for nuclear cruise missiles; and the operational effectiveness of each cruise missile. The Department of Defense had not responded to our recommendations as of September 1977. (PSAD-77-36, Apr. 26, 1977.)

Attack Submarine in a Direct-Support Role

Our continued emphasis on looking at major system acquisitions in the broader context of missions, roles, and requirements resulted in reporting to the Congress some doubts about the acquisition of nuclear attack submarines for use in direct support of surface forces.

The Navy considers the nuclear attack submarine to be one of its most effective weapons against a nu-



European Branch auditors Leo Lamotte and Joan McCabe observe a German/American field exercise during a review of NATO standardization.

(Courtesy of U.S. Army)

indicator of the possibility of future defense procurement collaborations, especially with NATO nations.

Two reports to Congress covered numerous aspects of this program. One addressed the development program and the U.S. Air Force's procurement of the aircraft. The other report considered the program established by the five nations, the status of the effort, and problems that could be encountered in the future.

In the former report, we recommended reassessing the survivability aspects of the aircraft and structuring the test program to avoid any undue European pressure. In the latter report, we recommended that the Congress' Armed Services and Appropriations Committees carefully explore the impacts on schedule and costs of any proposed U.S. funding changes, especially as they affect European economies. We also recommended that, in the future, not-to-exceed prices be avoided, to remove any implications that changes are unlikely. In addition, we recommended that management systems be established to monitor the not-to-exceed goal, the effect of European production on U.S. aircraft, and U.S. production commitments to the Europeans.

The Department of Defense replied that the survivability aspects have been and are being constantly studied; that the Europeans are involved in all aspects

PROCUREMENT AND SYSTEMS ACQUISITION

merically superior Soviet general-purpose submarine force. It plans to maintain a force of 90 such submarines, a large number of which are to be used in direct support.

The results of studies and exercises indicate, however, that the boats' effectiveness in direct support would be limited. These results raise the question of whether direct support could be more cost effectively provided by other systems in development, such as the Light Airborne Multi-Purpose System and the Tactical Towed Array Sonar System. We also questioned whether the trend toward larger, faster, and much more costly nuclear attack submarines is proportionately increasing the Navy's antisubmarine effectiveness and whether a low-cost nuclear sub should be developed.

Defense stated that the role of the nuclear attack submarine in direct support of surface ships is still under study. The Department has not yet developed a firm position on its effectiveness or on whether nuclear attack submarine force levels should be modified. Defense also stated that the next generation of these boats and the value of greater speed and depth will be critically reviewed during budget review and weapons systems acquisition review processes. (PSAD-77-89, Apr. 29, 1977.)

Reporting on Selected Major Civil Projects

As of June 30, 1976, the Government was managing more than 600 major civil projects estimated to cost \$209 billion. The Congress receives status reports from the Department of Defense on selected major weapons systems, and we reported to the Congress that it should also receive status reports on selected major civil projects. Having cost, schedule, and performance data for those civil projects which require special management attention would provide a way to assess programs' progress and would help the Congress decide on their future.

Committee chairmen and staff members of the Senate Committees on Appropriations, on Aeronautical and Space Sciences, on Governmental Affairs, and on Public Works and of the House Committee on Government Operations have said they would find selected acquisitions reports on major civil projects useful. (PSAD-77-5, Dec. 29, 1976.)

Antiarmor Weapon Systems

If the United States were to get involved in a land war in Europe, it would probably face a foe equipped with large numbers of tanks and armored trucks. The effectiveness of U.S. antiarmor weapon systems would then be crucial. We therefore examined the potential of

U.S. antiarmor systems to destroy hostile tanks and other vehicles in the expected battlefield environment and sent a classified report to the Congress.

There were major difficulties in such functional areas as (1) target acquisition (the ability of a gunner to identify a target and see it long enough to effectively fire), (2) night operations, and (3) operations when the enemy is attempting to suppress our infantry antitank weapons. Further, aircraft operating under fire from an unsuppressed air-defense system would be very vulnerable. Other topics were (1) the effectiveness of ammunition and (2) measures of effectiveness, such as "probability of hit" versus "probability of tank kill." (PSAD-77-67, Mar. 18, 1977.)

Fleet Air Defense

Naval air-defense weapons include aircraft interceptors, surface-to-air missiles, and guns. We reported to the Congress that the density of air defense needed depends on who has the superior air force in the locale of naval engagements. For example, water near the Soviet Union would need very heavy defenses. Whether aircraft carriers would be sent to risky areas in wartime is a central issue. Another question is the adequacy of Navy ships' defenses on autonomous missions or assigned to escort aircraft carriers in risky areas.

How much to spend on fleet air defense depends on how certain options for using aircraft carriers are assessed. Strikes against Soviet assets might be left to strategic submarines, land-based missiles, and other means, if the cost of using carriers is prohibitive.

Because of the immense costs involved, we suggested that the Congress have Defense consider the possible benefits of shifting emphasis from defensive systems to offensive systems, with the aim of shifting the high cost of air defense to the enemy. (PSAD-77-82, Apr. 25, 1977.)

Tactical Air-Defense Suppression Programs

The House Appropriations Committee asked us to review the effectiveness of Department of Defense programs for suppressing hostile air defenses. The request was prompted by the realization that in a European conflict the U.S. armored force would probably be outnumbered and that the United States is apparently relying heavily upon aircraft to neutralize this superiority. For aircraft to succeed in this mission without unacceptable losses, much of the enemy's air defenses would have to be suppressed or avoided. Our classified report concluded that the mobility, density, and diversity of hostile air defenses in Europe would create difficulties for such an operation. (PSAD-77-81, Mar. 3, 1977.)

Nuclear or Conventional Power for Surface Combatant Ships?

There is a controversy over whether the Navy's major surface combatant ships should be all nuclear powered, all conventionally powered, or a mix of both. Our report to the Congress evaluated the issues and found no simple solution.

Nuclear-powered ships are more capable and more costly than conventionally powered ships. Cost-effectiveness cannot be measured because analysts cannot quantify many benefits of nuclear power. Furthermore, available data on construction and operating costs does not lend itself to precise comparisons.

The real issue is the overall effectiveness of the Navy. Conventional-power proponents believe that large quantities of ships are the immediate need, whereas nuclear-power proponents give priority to a high level of mobility, reduced dependence on supplies, and individual ship capability. The nature of strike-force operations over the coming decades bears importantly on the issue. Will they be characterized by forces stationed in forward areas, or will they be more fluid, featuring rapid concentrations and dispersions of forces?

Conventional-power advocates tend to overestimate the cost premium for nuclear power, while nuclear-power advocates tend to exaggerate the effectiveness of nuclear-powered ships. We clarified the cost and effectiveness factors involved and brought each position into proper perspective. (PSAD-77-74, Mar. 21, 1977.)

Improvements Needed in the Acquisition Process for Major Defense Systems

The December 1972 Report of the Commission on Government Procurement recommended a new plan for acquiring major systems. The Commission's plan was the basis for an April 5, 1976, Office of Management and Budget circular (A-109) prescribing policy on major systems acquisition by all executive branch agencies.

We were asked to see how the beginning steps in acquiring some recent major systems compared with the Commission's plan. Because Department of Defense officials had indicated that the Commission's intent had been accomplished either formally or informally in Defense programs, we asked Defense to suggest some recent programs which came closest to the recommended procedures. Defense cited three ongoing programs.

We reported to the Congress that effort in only one of the three programs was generally consistent with the Commission's intent. Furthermore, the planned approach for this program did not provide as much competition as the Commission desired. Another program

typified the acquisition process the Commission was trying to reform, and the remaining program only slightly followed the Commission's recommendations.

During hearings of the Subcommittee on Federal Spending Practices, Efficiency, and Open Government, we observed that implementation of the Commission's plan as outlined in the Office of Management and Budget circular will require improvements in several areas:

- Executive agencies must realize that, under the new acquisition process, mission area deficiencies must be determined and stated independently of any specific system solution, enabling agency heads and the Congress to make decisions based on a clear understanding of the mission deficiency and the need for new systems.
- Solutions to mission needs should not be dictated by single-system development but should result from competition between alternatives.
- Industry must be given greater flexibility to propose a wide range of solutions in responding to Government requests.

(PSAD-77-49, PSAD-77-50, and PSAD-77-51, Jan. 24, 1977.)

The CAPTOR Ocean Mine System

CAPTOR is a new Navy deep-sea mine designed to use the Mark 46 torpedo in attacking submerged enemy submarines. We reported to the Congress that the Navy's desire to maintain the CAPTOR program schedule and stay within approved funding levels influenced decisions to cut back the development effort. The system thus entered limited production before major technical problems had been resolved and its operational effectiveness demonstrated.

Followup testing and evaluation are planned to determine if the design changes made to correct technical problems will result in an operationally effective system. The results of these tests are intended to provide the basis for both accelerated and full-scale production. This testing, however, will not provide any statistical assurance as to the system's long-term reliability. Such assurance would require more extensive funding and testing than the Navy deems appropriate.

The Secretary of Defense is acting upon our recommendation to delay his decision for accelerated or full-scale production until the Navy has clearly demonstrated CAPTOR's long-term reliability and operational effectiveness. The Congress, on the other hand, took a more critical view of our report, particularly the issue of concurrent development and production, and cut \$12 million from the fiscal year 1978 budget request. In addition, the Senate obtained responses from

PROCUREMENT AND SYSTEMS ACQUISITION

the Navy to a number of supplemental questions generated by the review. Analysis and verification of the Navy's responses, as well as close monitoring of the Navy's followup tests, will enable us to update the Congress on program status for its 1979 budget deliberations. (PSAD-77-44, Mar. 15, 1977.)

The Unfinished National Visitor Center

As authorized by the Congress in 1968, the National Visitor Center was to provide facilities for visitors by converting and renovating Union Station in Washington, D.C., and by constructing a parking garage nearby to accommodate about 4,000 automobiles. The project was expected to cost \$16 million. The project was stopped due to cost growth and a lack of funds. The cost for work through the end of the contract was about \$44.8 million. Although the visitor center is operating, the parking garage, reduced to a 1,200-car capacity, is not completed or operational.

The termination of work presented an opportunity for the Congress to resolve whether the project should be oriented toward visitors or railroad passengers, and whether the project should be managed by the Department of the Interior or Transportation. We recommended that the Congress require the agency responsible for continuing construction to submit periodic status reports to the Congress and to use fixed-price contracts for the remaining work. (PSAD-77-93, Apr. 4, 1977.)

The Appalachian Development Highway in West Virginia: Too Little Funding Too Late?

We reviewed West Virginia's portion of the Appalachian Development Highway, which has experienced major cost increases and schedule delays. Estimated costs rose from \$618 million in 1966 to \$1,575 million

by January 1976. All West Virginia highway corridors were to be completed or under construction by June 30, 1971. However, as of June 30, 1976, only 57 percent of the State's corridors were completed or under construction.

We reported to the Congress that the delays were caused by several factors, including Federal funding limitations. The funding limitations appeared to be inconsistent with the purpose of the Appalachian Regional Development Act—to open up areas with developmental potential where commerce and communication have been inhibited by inadequate access. We recommended the Appalachian Regional Commission submit to the Congress proposals to accelerate completion of the highway. (PSAD-76-155, Nov. 3, 1976.)

Accountability and Control of Nuclear Warheads

The Defense Nuclear Agency keeps centralized accountability records for warheads in the custody of the Department of Defense and is responsible for onsite inspections of control and safety. The Energy Research and Development Administration keeps accountability records for warheads in its custody.

In summary, we reported to the Congress that the systems these agencies use for accountability and control of nuclear weapons were functioning properly and provide an accurate presentation of the stockpile. However, we did recommend some improvements in the Defense accountability system.

The Department has begun to implement our recommendations. Specifically, the Defense Nuclear Agency will insure that each nuclear-capable unit is inspected at least once every 5 years and will strengthen its role in selecting units to be inspected each year. Also, it has undertaken a review of nuclear weapon procedures and will consider changes suggested in our report. (PSAD-77-115, June 2, 1977.)

CHAPTER TEN

FEDERAL PERSONNEL AND COMPENSATION

Responsibilities

The Federal Personnel and Compensation Division is the lead division for audits of Government programs and activities related to managing and compensating Federal employees. These programs and activities focus on:

- Manpower requirements and filling those requirements.
- Employee development through training, education, and career management programs.
- Use and retention of employees.
- Federal pay, fringe benefits, and retirement.
- Employee relations, including equal employment opportunity programs, labor-management relationships, social responsibility programs, and morale, welfare, and recreation activities.
- Employee ethics and military justice.

H. L. Krieger is the division Director, and C. I. Gould is the Deputy Director.

Size and Cost of the Federal Work Force

In September 1977, the executive branch had over 2.8 million civilian employees and more than 2.1 million active duty military personnel. The Government paid about \$82 billion in direct compensation and per-

sonnel benefits for this work force during the fiscal year. An additional \$1.7 billion was paid for the more than 800,000 members of the Reserve Forces and the National Guard.

Payments totaling about \$18 billion were made to Federal retirees and their survivors. Annuities of more than \$9 billion were paid from the Civil Service Retirement Fund, and over \$8 billion was paid from appropriated funds to retired military personnel and their survivors.

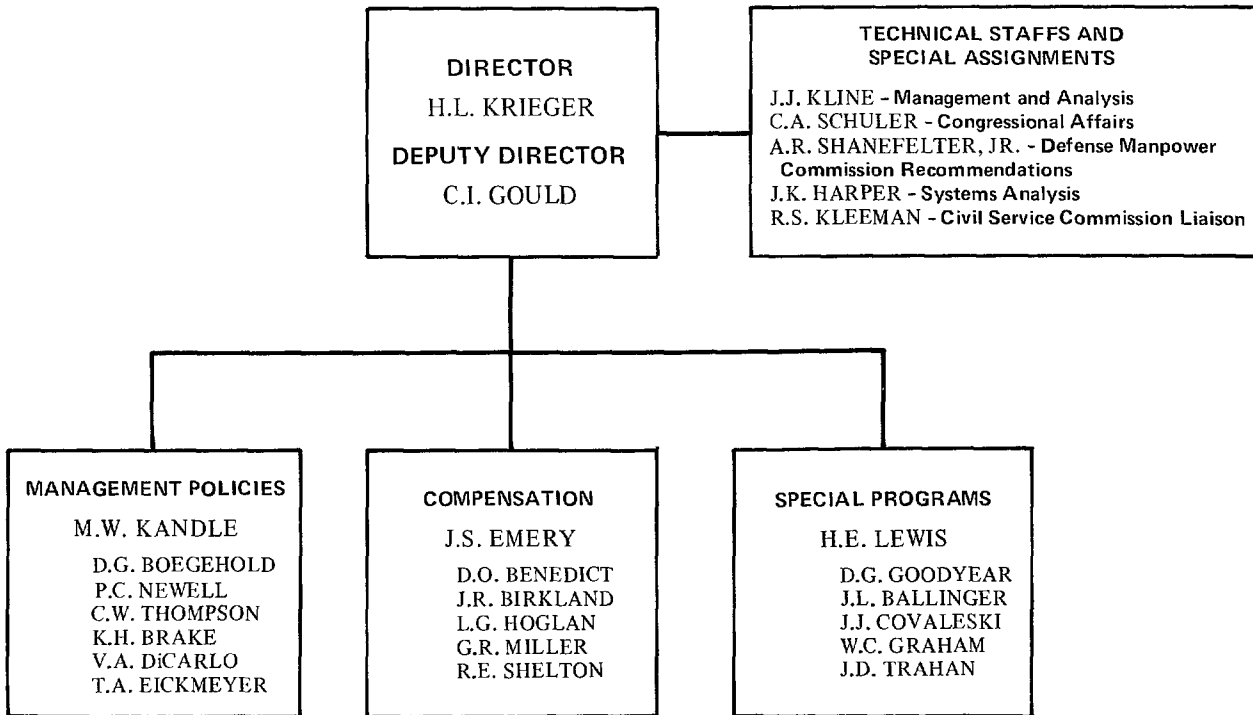
Assistance to the Congress

About 45 percent of the division's work during the year was in response to congressional requests. Work on 96 requests was completed during the year, and on September 30, 1977, work on 27 other requests was in process. Representatives of the division also made informal presentations through briefings, descriptive data, and congressional testimony; commented on 38 legislative proposals; and assigned 4 staff members to work on congressional committee staffs.

In several cases, information we gave the Congress was used to greatly reduce Federal expenditures. For example, Public Law 94-440, approved October 1, 1976, amended the way cost-of-living adjustments would be made to Federal retirement annuities. This action, which we estimate will save more than \$3 billion by the end of fiscal year 1981, reflected the findings and recommendations in a GAO report sent to the Congress last year. (FPCD-76-80, July 27, 1976.)

Audit Reports

During the year, 88 reports were prepared on Federal personnel and compensation matters—24 were submitted to the Congress and 33 to committees or Members of Congress on reviews made at their request, 26 went to heads of departments and agencies, and 5 were sent to other addressees.



SEPTEMBER 30, 1977

Most of these reports contained recommendations to promote greater effectiveness, efficiency, and economy through improved personnel management and controls. Agency officials generally agreed with the findings and intended to take corrective action.

Employee Compensation, Retirement, and Insurance

Military Compensation Should Be Changed to a Salary System

This report to the Congress discussed the need for changing the structure of the military compensation system to efficiently support the Armed Forces recruiting and retention programs.

Military compensation is supposed to help the services successfully compete with other employers for personnel. We reported that the base pay and allowances system inefficiently supports this objective and should be replaced by a salary system.

Before issuing the report, we requested but received no comments from the Department of Defense. However, the Department had responded to a salary rec-

ommendation by the Defense Manpower Commission, saying the disadvantages of a salary system outweighed the advantages. We disagreed.

We recommended to the Congress that:

- A salary system replace the military base pay and allowances system.
- The executive branch be directed to draft and submit conversion proposals and establish milestones for converting the base pay and allowances system to a salary system. (FPCD-77-20, Aug. 1, 1977.)

Federal Retirement Systems Need Improvement

An August 1977 report to the Congress reiterated our concern about Federal employee retirement systems and discussed their many inequities, inconsistencies, and common problems. We noted that the full costs of benefits accruing under the systems were not being recognized, thereby impeding sound congressional decisions on establishing, amending, or funding retirement and agency programs.

In 1976 seven of the Government's retirement systems paid over \$15.6 billion to retirees and the sur-

vivors of deceased employees and retirees—an increase of \$10 billion since 1970. The systems also reported liabilities exceeding \$320 billion, for which less than \$44 billion had been set aside in Federal trust funds.

We recommended that legislation be enacted requiring that the full cost of all Federal retirement systems be recognized and funded and that the difference between currently accruing cost and employee contributions be charged to agency operations. We recommended that the Congress also establish an overall Federal retirement policy to guide retirement system development. Centralization of committee jurisdiction over all Federal employee retirement systems would facilitate the establishment and implementation of such a policy. (FPCD-77-48, Aug. 3, 1977.)

Civil Service Disability Retirement Payments

Civil service disability retirement payments nearly doubled from 1970 to 1975. By the end of fiscal year 1975, about 258,000 disabled retirees were collecting annual annuities of over \$1 billion. Although many could have done other Government work, the retirement provisions do not encourage this. We recommended that the Congress reevaluate these provisions and enact legislation to provide greater incentives for job reassignment or to retrain potentially productive employees.

The Civil Service Commission approves 95 percent of disability applications, but less than 1 percent of the disabled are ever removed from the rolls because of medical recovery or excess earned income. Also, about 20 percent of the applications we reviewed had been approved without sufficient medical evidence of disability. We estimated that the Government pays about 15,000 retirees annual annuities of \$65 million even though records do not sufficiently justify the payments. Our report included recommendations to the Commission for administrative procedures to handle these problems.

The Commission wanted to encourage job reassignment but felt it lacked the authority to require it. Near the end of our review, the Commission began a study of disability retirement policies, covering many of the areas discussed in our report. Pending the study's outcome, the Commission reserved comment on needed policy changes. (FPCD-76-61, Nov. 19, 1976.)

Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation

The House Post Office and Civil Service Committee asked us to evaluate the adequacy, reasonableness, effectiveness, and costs of the special, early retirement

policy for Federal law enforcement and firefighter personnel.

The law authorizes earlier and more generous civil service retirement benefits for about 52,000 Federal employees whose main duties are (1) investigating, apprehending, or detaining persons suspected or convicted of committing Federal crimes or (2) controlling or extinguishing fires or maintaining and using firefighting equipment. The law's purpose is to improve law enforcement and firefighting services through a young, vigorous work force. The benefits, however, are not a reward for hazardous duty; they are intended to encourage early retirement by making it economically feasible.

The continued need for this policy was questionable for several reasons. For example, covered employees were not retiring much earlier than others, but their benefits cost considerably more.

We recommended that the Congress reevaluate the need for the policy and presented alternatives. We recommended that, if the policy continues, the Congress (1) amend the law to require additional retirement contributions by employing agencies and (2) reevaluate the eligibility criteria, the special mandatory retirement provision, and the benefit structure. The Commission agreed that the policy needs to be reevaluated but withheld comments pending completion of its own review. Operating agencies and Federal labor unions generally disagreed with our conclusions for reasons we did not believe compelling. (FPCD-76-97, Feb. 24, 1977.)

Changes to the Federal Employees Group Life Insurance Program Are Needed

We reported to the House Post Office and Civil Service Committee that a comparison of the Federal Employees Group Life Insurance (FEGLI) program with life insurance programs of major non-Federal employers showed the latter to be not only superior but usually free. Moreover, whenever premiums *are* paid for non-Federal programs, they are much lower than FEGLI premiums.

FEGLI's premiums are higher because it is funded more liberally than most other group life insurance programs. Additionally, the Civil Service Commission ignores future general pay increases in determining the premium rates. Recognition of this factor would moderate FEGLI premiums.

We suggested that the Congress reevaluate FEGLI funding requirements and consider making basic changes to its benefit structure to make coverage more attractive and equitable. Further, we recommended

FEDERAL PERSONNEL AND COMPENSATION

that CSC recognize anticipated pay increases when determining FEGLI premiums.

Also, under FEGLI, the Government assumes all liabilities and risks, establishes and collects premiums, and manages most of the funds. Since the program is, in effect, self-insured, we recommended that the Congress rescind the requirement that FEGLI pay State premium taxes and insurance company risk charges. This could annually save more than \$7.2 million. (FPCD-77-19, May 6, 1977.)

Financial Disclosure

The Executive order on standards of ethical conduct proscribes Federal employees from being in positions of acting for the Government when their private financial interests are involved. To this end, Federal departments and agencies require certain employees to regularly submit financial disclosure statements to be reviewed and analyzed by designated departmental and agency officials to identify instances of actual or potential conflict of interest.

Because of continuing congressional concern in this area, we issued 11 reports dealing with financial disclosure systems, 7 of them to the Congress on individual systems at the:

- Federal Communications Commission (FPCD-76-51, Dec. 21, 1976).
- Food and Drug Administration (FPCD-76-99, Jan. 24, 1977).

- Energy Research and Development Administration (FPCD-77-14, Jan. 26, 1977).
- Department of Agriculture (FPCD-77-17, Jan. 31, 1977).
- Office of the Comptroller of the Currency (FPCD-77-29, Mar. 23, 1977).
- Federal Deposit Insurance Corporation (FPCD-77-49, June 1, 1977).
- Federal Reserve Board (FPCD-77-46, Aug. 12, 1977).

These reports identified areas where the systems' effectiveness could be improved and contained recommendations to that effect. Further, two reports sent to Representative John E. Moss discussed the effectiveness of the financial disclosure systems of the Export-Import Bank (ID-76-81, Oct. 4, 1976) and the Tennessee Valley Authority (CED-77-4, Dec. 29, 1976).

A summary report to the Congress highlighted (1) problem areas in 18 executive branch systems we had reported on since 1974, (2) how we thought the governing Executive order could be improved, and (3) categories of financial information needed by ethics counselors to detect and resolve conflict-of-interest matters. The report recommended that the President establish an executive branch Office of Ethics with strong administrative and enforcement powers. (FPCD-77-23, Feb. 28, 1977.)

Another major report on this subject concerned the Civil Service Commission's financial disclosure system for heads of agencies, Presidential appointees in the Executive Office of the President who are not sub-



GAO officials testify on the Public Official Integrity Act of 1977 before the Senate Committee on Governmental Affairs. Left to right: Deputy Director Clifford I. Gould, the Comptroller General, and Assistant Director Lewis.

ordinate to the head of an agency in that Office, and full-time members of a committee, board, or commission appointed by the President. This report to the Congress was requested by Representative Moss and addressed such matters as (1) aspects of the system that were ineffective, (2) the new commitment by the Congress and the President to effect changes, (3) our recommendations for improving the system, and (4) categories of financial information that should be reported to detect and resolve possible conflict-of-interest matters. (FPCD-77-59, Aug. 1, 1977.)

Training and Education

Army's Test of One-station Unit Training

In 1975 a joint conference of the House and Senate Appropriations Committees asked the Army to test its new initial-entry training concept, called one-station unit training, and to report its findings before November 1976. The committees were concerned that the Army planned to close training centers, move many people, and spend about \$300 million in construction to implement this concept without having tested it. The House Committee asked us to monitor the test.

Traditionally, the Army has provided basic combat training at one location and advanced individual training at another. The new concept would have both types of training at one location. The Army expected this to reduce time and costs.

The test results showed that the training cycle could be shortened by a tailor-made training program. However, we reported to the House Committee that the test was incomplete. It did not examine whether similar reductions in the cycle would be attained if a tailored program were used for basic training at one station followed by advanced training at another. Moreover, the Army test did not control or measure the impact of outside factors, such as wide variations in the size of units, which further undermined the Army's argument for using one-station unit training. (FPCD-76-100, Feb. 9, 1977.)

Reserve Officer Training Corps: Management Deficiencies Still To Be Corrected

Except for reversing a decline in enrollments and eliminating duplicate physical examinations, the Department of Defense had not corrected many Reserve Officer Training Corps (ROTC) management problems discussed in a 1973 GAO report. The Secretary

of Defense had agreed to correct these problems, but they still existed at the time of our later review.

Using vague and subjective reasoning and violating Department of Defense directives, the services continued to retain "unproductive" ROTC units—units with too few students in relation to the costs of maintaining the units. Because a uniform cost-reporting system had not been established, the services' data on ROTC costs could not be used for effective management. Since thousands of ROTC scholarship recipients have withdrawn from the program without incurring any active duty obligation, the services have agreed to submit a legislative proposal to the Congress to recover educational expenses.

The Department of Defense generally agreed to correct the reported situations; however, it did not agree to deactivate all units falling below minimum standards because it believed there were overriding reasons for retaining them. We recommended that the Congress enact legislation to permit the services to require reimbursement for education and training costs as an alternative to active duty. (FPCD-77-15, Mar. 15, 1977.)

Need for Better Assessment of Interservice Training Opportunities

Our report to the Secretary of Defense on interservice training showed that the Department of Defense and the services may have forgone opportunities for interservice consolidation during base closures and functional realignments. For example, in 1972 the Navy planned to relocate its air traffic control training program, but neither the Navy, the Interservice Training Review Organization, nor the Office of the Secretary of Defense considered integrating that training with ongoing Army and Air Force programs.

The Office of the Secretary of Defense rarely participates in Interservice Training Review Organization studies, but when it does, economic consolidations can result. We recommended that the Secretary of Defense expand his role in overseeing the Organization's actions, to better assess and organize training consolidations. We also recommended that the Secretary reemphasize to the services the need to consider existing facilities of other services when new training facilities are required; the services should be required to include the results of Organization studies in their justification for new training facilities.

We informally discussed the report with the Secretary's staff, who agreed with its contents and took action to become more involved in interservice training. (FPCD-76-92, Oct. 12, 1976.)

Followup on Military Reserve Training

Representatives Thomas J. Downey and Charles A. Vanik asked us to review actions taken or planned by the Departments of Defense and Transportation on our June 1975 report on "Need To Improve Efficiency of Reserve Training" (FPCD-75-134). We submitted our results in January 1977.

We reported that the Secretaries of Transportation and the services had, in a few instances, reduced training schedules for (1) units with sufficient postmobilization time to upgrade their proficiency or (2) individual reservists whose military jobs are easy to learn. Generally, however, the services felt that reductions for units would impair their readiness and reductions for individuals would harm unit training as well as the Reserves' ability to attract and retain reservists. We found no studies supporting these contentions.

Defense, Transportation, and the services have acted to improve the use of available training time, although the services still do not know whether this time is being used any more efficiently now than in fiscal year 1974, when we last reviewed it.

The services believe they have reduced the administrative workload on Reserve unit commanders. Also, Defense representatives, during monthly meetings with service representatives, have suggested reducing general military activities but have issued no directives to that effect. Most service representatives claim that general military training has been reduced. (FPCD-77-30, Jan. 28, 1977.)

The Federal Role in Merchant Marine Officer Education

A report issued to the Chairmen, Senate Committee on Commerce, Science and Transportation and House Committee on Merchant Marine and Fisheries, discussed (1) employment opportunities for graduates of Federal and State maritime academies, (2) administration of the academies' programs by the Maritime Administration, and (3) the Navy's administration of the Merchant Marine Officers' Navy Reserve program.

We reported that graduates of the Federal and State maritime academies should serve as licensed officers in the merchant marine to justify Federal involvement in their education. We recommended that the Maritime Administration establish employment goals for placing graduates throughout the merchant marine, to measure the degree that Federal involvement is justified. We further recommended that the Departments of Commerce and Defense develop a joint program for providing the minimum naval sci-

ence training required by all merchant marine officers and see that all officers receive such training.

Maritime Administration officials did not comment on our recommendation on employment goals. Maritime Administration and Navy officials agreed that active merchant marine officers who do not qualify for the Reserve program should receive naval science training through other means. (FPCD-77-44, June 15, 1977.)

Illiteracy in the Military Services

A report to the Secretary of Defense dealt with illiteracy in the Armed Forces. Military services' studies indicated that some enlisted personnel's reading abilities were below the level they would need in their careers. This problem was not new to the services, which can expect a continued flow of recruits with low reading ability.

We determined that poor readers, compared to the average enlisted population, tended to

- have higher discharge rates,
- experience more difficulty in training,
- perform less satisfactorily on the job, and
- lack the potential for career advancement.

The services conducted many research projects on various aspects of the illiteracy problem. They had implemented programs costing over \$3 million annually to improve selected individuals' reading ability and had committed at least \$8 million toward simplifying written material. However, Defense had not established a policy to address the total problem, nor had it stated whether it assumed a general responsibility for improving the literacy of enlisted personnel.

We recommended that the Secretary of Defense develop a policy to effectively address the illiteracy problem and consider reporting annually to the Congress on progress in alleviating it. (FPCD-77-13, Mar. 31, 1977.)

Use of Training Received by Federal Civilian Employees

We prepared reports to five agencies on improvements needed in their use of the training received by employees at Government expense:

- Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury;
- Forest Service, Department of Agriculture;
- General Services Administration, region 3;
- Internal Revenue Service, Department of the Treasury; and
- U.S. Army Material Development and Readiness Command.

Copies of the reports were also sent to the Civil Service Commission.

The agencies and the Commission agreed with us that employees did not or could not sufficiently use the training they had received at Government expense. The agencies said they had adopted procedures to improve control and review of training activities to assure increased use of such training. The Commission said it would pinpoint and try to eliminate the causes of the deficiencies we noted. It also said it would continue to review agencies' practices and systems to assure greater use of training. (FPCD-76-96A/B/C/D/E, Oct. 18, 1976.)

Financial Management of Overseas Dependents Schools

In a report requested by the Chairman, Senate Appropriations Committee, we found that (1) more than 150,000 pupils were enrolled in schools for U.S. dependents overseas, (2) student/teacher ratios and teacher salaries compare favorably with that of U.S. schools, and (3) as directed by the Congress, the school system had been reorganized to centralize its management.

To reduce system costs, we recommended that the Secretary of Defense employ more U.S. citizens and fewer foreign nationals and find alternative means of student transportation. The Department agreed, saying it was intensifying efforts to cut expenses, particularly in transporting students.

The report was cited by both the House and Senate Appropriations Committees as the basis for making an \$8.6 million reduction in the administration's 1978 budget request. (FPCD-77-7, Feb. 16, 1977.)

Personnel Requirements and Controls

Personnel Ceilings— A Barrier to Effective Manpower Management

The Federal work force should be no larger than is necessary to carry out the programs and functions authorized by the President and the Congress. This maxim is not met, however, by merely limiting the number of persons that may be reported on the Federal payroll on one particular day. Efficient Federal manpower management means matching the work with the people most capable of doing that work.

A summary report to the Congress on personnel ceilings discussed congressional and executive branch

action, current perceptions of agency officials and managers, and previous GAO studies. Since Federal employment is controlled primarily through the Office of Management and Budget, we recommended that the Director of that Office:

- Establish a task force as soon as possible to develop a project demonstrating the feasibility and general applicability of the budget process as a control over total manpower resources. The project should be undertaken simultaneously in several agencies with different types of operations.
- Invite the support of and work closely with the appropriate congressional committees, advising them periodically of the project's progress.

(FPCD-76-88, June 2, 1977.)

HUD's Work Measurement System

In June 1977 we reported that, although the Department of Housing and Urban Development had made progress in developing agencywide work measurement standards for personnel budgeting, some standards were more reliable and useful than others. However, even the more reliable standards could not yet be used to estimate the Department's staffing needs.

We recommended ways for HUD to develop more objective and reliable bases for estimating its personnel requirements. Subsequently, the Department established a task force to upgrade its work measurement system. This report was issued to the Chairman, Subcommittee on HUD-Independent Agencies, Senate Appropriations Committee. (FPCD-77-53, June 15, 1977.)

In a June 21, 1977, report, the Senate Committee on Appropriations encouraged the Department to continue developing its work measurement standards in line with GAO's recommendations. In doing so, the Department should be able not only to improve its own management but also to contribute to setting patterns and improving methodologies Government wide.

Enlisted Career Force Management in the Army, Navy, and Air Force

On June 30, 1976, the armed services had about 28,000 more career enlisted personnel—those with more than 4 years of service—than called for in their enlisted force management objectives. Their pay and allowances totaled about \$253.2 million, of which at least \$116.4 million was for active careerists eligible to retire.

We reported to the Congress that management improvements could bring the career force into balance with the objectives earlier than the 7 to 10 years

FEDERAL PERSONNEL AND COMPENSATION

planned by the Department of Defense. We added that ways should be developed to measure the effectiveness of career force objectives on a cost-benefit basis.

The Department agreed with our recommendations, except the one for accelerating the development and application of career force objectives. (FPCD-77-42, Sept. 29, 1977.)

Management of Organizations

Improving Efficiency of Pacific Fleet Headquarters

We examined the organizational structure of the Navy's Pacific Fleet and reported our findings to the Chairmen, Senate and House Committees on Appropriations.

The Commander in Chief, Pacific Fleet, controls the operations of his ships and units through numbered-fleet (e.g., 6th Fleet) commanders. He controls his resources (men, money, and material) through air, surface, submarine, and logistics management headquarters, known as type commands. Controlling operations and administration from two headquarters is peculiar to the Navy—the other services use one headquarters.

Although the Navy had recently consolidated various management headquarters, Pacific Fleet Headquarters and the type command staffs continued to do many similar types of work.

Believing that Pacific Fleet Headquarters could be organized better, we suggested alternatives. We also suggested incorporating the Logistics Command into the Pacific Fleet.

The Navy did not agree with these suggestions. Therefore, we recommended that the Senate and House Committees on Appropriations and the Navy carefully compare the benefits of the existing headquarters structure with those of alternative structures. (FPCD-76-98, Feb. 4, 1977.)

Department of Housing and Urban Development Could Be Streamlined

We reviewed the role of the regional offices in HUD's organizational structure at the request of Senator Henry Bellmon, to whom we reported our findings.

Although the regional offices provide essential services, we reported that consolidating field offices and realigning selected regional and field office functions could improve service to the public at reduced costs.

Because the Department was studying possible reorganization as our review ended, we recommended that its Secretary submit any such plan to the Congress before implementation. The Congress could thereby determine whether the reorganization would resolve past and current problems that have troubled both the Congress and the Department. In a June 21, 1977, report, the Senate Committee on Appropriations directed the Department to make that submission. (FPCD-77-56, June 16, 1977.)

Equal Employment Opportunity

Improvements Needed in Federal Employee EEO Programs

The Chairman, Senate Committee on Labor and Public Welfare, asked us to review the implementation of the Equal Employment Opportunity Act of 1972 as it applies to Federal employees. A September 1977 report to the Congress, one of several reports resulting from the Chairman's request, was on selected hiring practices of Federal agencies and on certain other administrative, planning, and evaluation matters relating to equal employment opportunity.

We reported that we could not determine the adequacy and effectiveness of the EEO program because no objective or widely agreed-upon ground rules existed. Basic but controversial problems on program purposes, direction, and pace need to be aired and resolved by the Civil Service Commission, other Federal agencies, and private and public organizations.

We also reported that the Commission and other Federal departments and agencies need to work on other problems concerning program organization, resources, and evaluation; setting goals for and submitting affirmative action plans; and recruiting. Recommendations were made to deal with these problems. (FPCD-76-85, Sept. 9, 1977.)

Upward Mobility Program for Federal Employees

We completed a selective review of upward mobility program efforts at departmental and agency levels and at 33 field installations throughout the United States. We also reviewed upward mobility policies, guidance, and procedures, as well as program evaluation procedures.

Our findings were reported to the heads of six departments and agencies where we made our review:

—Department of Agriculture (FPCD-77-2, Mar. 21, 1977).

- Department of the Army (FPCD-77-3, Dec. 13, 1976).
- Department of the Air Force (FPCD-77-10, Mar. 28, 1977).
- Department of the Navy (FPCD-77-9, Jan. 7, 1977).
- Department of the Interior (FPCD-76-4, Nov. 3, 1976).
- Civil Service Commission (FPCD-77-10, Mar. 28, 1977).

We reported that improvements had been made in their upward mobility programs since our previous reviews in 1973 and 1974. Nevertheless, other improvements still needed were discussed in the six reports, together with our recommendations for accomplishing the improvements. Departmental and agency officials generally agreed with our findings and recommendations.

Improving the Processing of Individual EEO Discrimination Complaints

The Civil Service Commission established, and other Federal agencies implemented, an extensive system for processing individual discrimination complaints. The system is intended to help employees protect their rights of equal opportunity and, at the same time, protect agencies and supervisory personnel from unsupported discrimination accusations.

After reviewing nine Federal departments and agencies, we reported to the Congress that many aspects of the system's operation and evaluation needed improvement. We recommended that the Commission Chairman (1) emphasize that agencies properly plan and implement their individual complaint systems and (2) with the heads of the departments and agencies where we made our review, improve evaluations of complaint systems. We also made other recommendations to improve specific aspects of the Federal discrimination complaint system.

The Commission, departments, and agencies we reviewed generally agreed with our recommendations. (FPCD-76-77, Apr. 8, 1977.)

Military Justice

Military Jury System Needs Safeguards Found in Civilian Federal Courts

Public confidence in the court system, according to Chief Justice Berger, is an indispensable ingredient for justice. Many people, however, feel that the process

of selecting military court jurors is unfair and needs changing. Furthermore, military courts lack certain safeguards found in civilian Federal courts, and abuse can occur and go unproven.

We made a 2-year study of the differences between jury selection for criminal cases in military courts and civilian Federal courts and reported our findings to the Congress. We recommended, as the first step in providing the safeguards missing in military courts, that the Congress change the law to require random selection of military jurors. The Department of Defense agreed with this recommendation. Before random selection is adopted, other changes will have to be considered. Therefore, we recommended that the Congress reexamine whether:

- The size of juries should be enlarged and made more uniform.
- The number of peremptory challenges (challenges not requiring a reason) is appropriate.
- Military jurors should impose sentence.
- Too much authority is vested in the officer who approves the trial.

(FPCD-76-48, June 6, 1977.)

Apprehension of Military Deserters

During 1975 and 1976, the military classified as deserters about 84,000 people who were absent from duty for more than 30 days. It spent almost \$58 million to apprehend and process these individuals, only to discharge most of them as unqualified for retention, in many cases shortly after their return.

In a report to the Secretary of Defense, we recommended less costly alternatives to the practice of apprehending deserters during peacetime in an all-volunteer force:

- Apprehend only deserters wanted for some specific purpose, such as another crime or security matter, and discharge them *in absentia* after they have been absent for a stipulated period.
- Apprehend only individuals who have been gone so long that a voluntary return is improbable.

The Department of Defense concurred with our data and said our study raised questions that would be addressed in a departmental study. (FPCD-77-16, Jan. 31, 1977.)

The Clemency Program of 1974

A report to the Congress on the President's Clemency Program of 1974 described the role and responsibilities of the Departments of Justice and Defense and Selective Service System in carrying out the program for Vietnam-era draft evaders and military

FEDERAL PERSONNEL AND COMPENSATION

deserters. It also described how each agency administered its responsibilities and observed that, while several thousand persons accepted the opportunity to resolve their status, many thousands did not.

Our report was issued as the program was ending under the Ford administration, but it could serve the new administration in its clemency program. (FPCD-76-64, Jan. 7, 1977.)

Labor-Management Relationships

Strike Prevention and Contingency Planning in Selected Federal Agencies

In response to a request from the Chairman, House Committee on Post Office and Civil Service, we reviewed the strike prevention and contingency planning of selected Federal agencies, including the U.S. Postal Service. After reporting our findings to the Chairman, we sent a report to the Chairman, Civil Service Commission, because certain matters required his attention.

Although lengthy strikes have been uncommon in the Federal Government, there have been many other types of serious disruptions to public services. The Commission had emphasized the need for, but had not required, agencies to develop strike prevention and contingency plans. Therefore, the policies of each agency varied. Some agencies required contingency plans while others said they had no need for them. No agency had a formal strike prevention plan.

Many agency officials said their excellent employee relations made disruptions improbable. Although we did not assess agencies' labor-management relations, it is possible that even excellent relations could not prevent disruptions due to matters beyond agencies' control, such as pay increase decisions.

We recommended that the Commission (1) require and periodically monitor (perhaps as part of its evaluation program) contingency planning in agencies which it determines provide essential public services and (2) develop and provide general policy and procedural guidance to other Federal agencies for dealing with strikes and related incidents. The Commission concurred with our findings and recommendations. (FPCD-77-41, Mar. 11, 1977.)

Adjudicating Federal Employee Grievances

Third parties under the Federal labor-management relations program adjudicate a wide range of issues, remedies for which must conform to laws and regulations. The Comptroller General is required to review

awards in which agency officials question whether Federal expenditures ordered by a third party are proper. Furthermore, disbursing officers, certifying officers, and heads of Government departments and establishments can apply for and obtain advance decisions from the Comptroller General on any question of law involving expenditures of Federal funds, including those ordered by a binding arbitration award, Assistant Secretary of Labor decision, or Federal Labor Relations Council decision.

We prepared a manual to help third parties fashion remedies consistent with Federal statutes and regulations. The manual detailed the available remedies for the most common cases requiring make-whole remedies. It was widely distributed and received a very favorable response. (FPCD-76-68, Mar. 30, 1977.)

How the Fair Labor Standards Act Affects Federal Agencies and Employees

A report to the Civil Service Commission discussed the impact of the Fair Labor Standards Act on Federal agencies and employees.

Under the act, most Federal employees received little or no increase in overtime pay. The principal beneficiaries have been firefighters and some general schedule employees in grades 9 through 14.

The act has caused confusion and problems in Federal agencies because they must reconcile it with certain conflicting sections of title 5 of the United States Code in determining overtime entitlement. Many problems were related to implementation and, hopefully, will be resolved. Other problems unique to the act and conflicting overtime laws also existed.

We recommended that the Chairman, Civil Service Commission, resolve the issues raised in our report and develop a legislative proposal to eliminate these and other inconsistencies in premium pay practices.

The Commission and the Departments of Transportation, Defense, Treasury, and Health, Education, and Welfare concurred with our conclusions and recommendations. The Department of Labor had some reservations. (FPCD-76-95, Apr. 18, 1977.)

Employee Travel

Special Travel Benefits for Federal Employees in Hawaii, Alaska, and Similar Areas

We reported to the Congress that because of a travel law enacted over 20 years ago, some Federal employees and their families in States, territories, and

possessions outside the continental United States receive periodic Government-paid trips back to their former residences. However, times have changed; these trips are often no longer appropriate. Substantial savings could be achieved if Federal administrators were authorized to determine when to offer the travel benefits and if more specific criteria were established for limiting the benefits.

Agency officials in Alaska believed the benefits were needed to recruit and retain qualified personnel for remote duty stations. They did agree that more flexibility is needed in determining when to offer reemployment travel benefits and that the benefits should not be continued for employees who become Alaska residents. The General Services Administration and the Civil Service Commission also agreed that changes to the travel law are desirable.

Federal administrators are legally precluded from terminating or adjusting these benefits. Therefore, we recommended that the Congress amend the law to allow travel payments to be made only where needed for recruitment and retention purposes and to limit the number of years an employee may receive such payments. (FPCD-76-65, Mar. 2, 1977.)

Travel by Government Employees

In response to a request from the Chairman, House Committee on Government Operations, we reviewed the nature and extent of travel by Government employees, the reasons for the travel, and executive branch travel policies, procedures, and practices. We reported to the Chairman that travel for managing and operating Federal programs costs about \$2 billion each year and that attendance at conferences and meetings was a major part of this cost.

We identified possible agency improvements in reporting, monitoring, and managing travel and then recommended that the Office of Management and Budget and the General Services Administration revise their travel guidelines, with specific emphasis on purpose of travel; require agencies to revise their reporting systems and internal review and audit approaches to follow the new guidelines; and, after the guidelines and new reporting and review systems have been implemented, assess performance to see if further action is needed.

OMB, saying our report was very useful, generally concurred with our findings but thought our recommended actions were unnecessary. Nevertheless, in August 1977 it issued a memorandum to heads of executive departments and establishments which provided guidelines for authorizing employees' travel to conferences and meetings. (FPCD-77-11, Mar. 17, 1977.)

Other

What Defense Says About Issues in Defense Manpower Commission Report

This report to the Congress was the first in a series on Department of Defense action on issues in the Defense Manpower Commission report. Our report was made at the request of Senators Howard Baker and Lloyd Bentsen, who were among the original co-sponsors of the legislation establishing the Commission.

The Commission reported on issues that included the requirements, recruitment, training, utilization, compensation, retirement, and management of Defense manpower and the future of the All-Volunteer Force.

Since the Department seemed to have paid little attention to the Commission report, we recommended that the Secretary of Defense should:

- Decide as soon as possible the Department's positions on the Commission's recommendations, conclusions, and observations.
- Designate organizations to be responsible for correcting problems or making improvements in those areas where the Department and Commission are in agreement.
- Set target dates to complete the above actions.
- Give more specific reasons when disagreeing with the Commission.

Responding to our report, the Department said it is carrying out our recommendations. Also, because of the Department's previous inaction, the House Committee on Appropriations' report on the Department of Defense Appropriation Bill, 1978, required the Department to report to the Congress on each recommendation in the Commission report. (FPCD-77-40, May 3, 1977.)

Civilian Personnel Management: Status and Proposed Changes

The public had shown little interest in Federal personnel operations until the recent disclosure of merit system abuses. In the past, studies of the system focused on general personnel management improvements and often recommended overall organizational revisions that resulted mostly in piecemeal changes. The Civil Service Commission, in particular, evolved into a central personnel agency for a vastly expanded Government through such changes.

All year there was widespread agreement among Federal officials, congressional committees, and public service organizations on the need for changes in

FEDERAL PERSONNEL AND COMPENSATION

the Government's—and especially the Commission's—civilian personnel systems. But proposed improvements were not simple or easily implemented.

To assist those wanting to make changes, we made a staff study summarizing civil service history, the roles of the Commission and other organizations involved in Federal civilian personnel management, and recently proposed revisions in the overall management of civilian employees. The study received widespread distribution within and outside the Government and was praised for its usefulness. (FPCD-77-36, June 6, 1977.)

Changes Needed in Crew Assignments

A report to the Secretary of Defense explained that the Navy's longstanding practice of retaining crew members on board ships during lengthy overhaul periods resulted in inefficient use of skilled personnel, many of whom were doing routine work when they were critically needed on operational ships.

The Navy could make better use of skilled sailors by selectively reducing the crews of ships undergoing lengthy overhauls. This change would also (1) improve use of shipyards, (2) decrease the cost associated with homeport changes, and (3) comply better with the Department of Defense policy of using civilians in jobs not requiring uniformed personnel.

We recommended that the Secretary of Defense direct the Navy to

- reduce ships' crews to the number essential for maintaining the ship's safety and equipment during lengthy overhaul periods,
- reassign skilled sailors to meet critical fleet requirements,
- establish the necessary managerial policies and procedures to use civilians in shipyards to do work now being done by ships' crews, and
- ask the Congress for the necessary operations and maintenance funds to make these changes.

The Navy, apparently believing that we were advocating total removal, rather than selective reduction of crew members, initially disagreed with our conclusions and recommendations. But it has subsequently said it is "rethinking" its position. (FPCD-77-76, Apr. 8, 1977.)

Funding of Nonappropriated Fund and Related Defense Activities

The Department of Defense spends over \$600 million each year to subsidize morale, welfare, and recrea-

tion activities. (Commissaries are separate.) These "nonappropriated fund" activities include such things as clubs and exchanges and annually do over \$5 billion in business. At the request of the Chairman, Senate Committee on Appropriations, we examined the history and funding of military nonappropriated fund and related activities, evaluated proposed departmental guidelines for supporting them, and proposed alternative funding guidelines.

The alternative funding discussed in our report to the Chairman was to use appropriated funds (1) only for community-type activities in nonurban areas and in urban areas with inadequate community facilities or (2) for community-type activities at all installations. Under either alternative, the Congress should (1) continue appropriated fund support for common base services when their costs cannot be feasibly identified and (2) prohibit the use of funds for military staffing unless civilian employees are not available. (FPCD-77-58, Aug. 31, 1977.)

Human Resources Research and Development

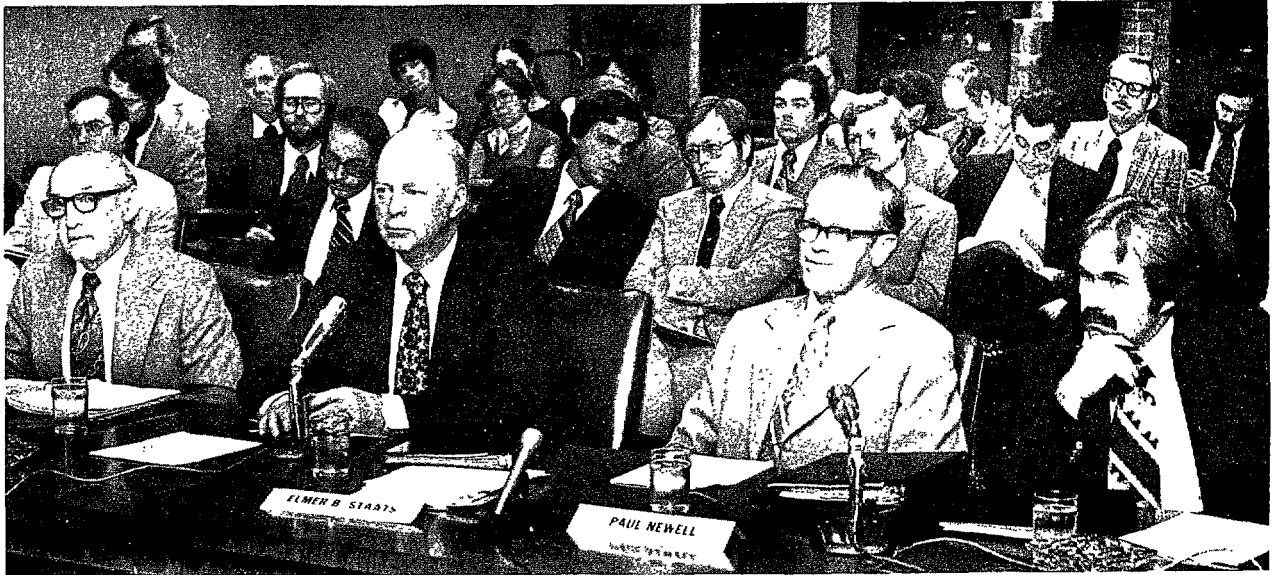
In reviewing the fiscal year 1976 Department of Defense budget, the House Committee on Appropriations questioned the effectiveness of, and the level of funding for, human resources research and development. The Chairman asked us to review the problem to help the Committee analyze future budget requests.

Our April 1977 report to the Chairman discussed the segment of the program that research and development organizations addressed to military managers. We emphasized that careful management is needed and effective systems must be established to get maximum use out of research and development results. In this regard, we found that of 374 reports published during 3 recent years, 38 percent were not used by recipients.

The Secretary of Defense could eliminate many of the reasons for not using research and development results by improving the Department's management system to

- identify results that could be used immediately,
- improve communication between researcher and user,
- monitor the use of results, and
- resolve issues between researchers and users that prevent use of research and development results.

Defense agreed with our recommendations. (FPCD-77-43, Apr. 22, 1977.)



GAO officials testify on September 15, 1977, before the Subcommittee on Reports, Accounting, and Management, Senate Committee on Governmental Affairs, on the development of a uniform reporting system for employing consultants. Left to right: Director, Federal Personnel and Compensation Division, H. L. Krieger; Comptroller General Staats; Assistant Director Newell; and Washington regional office supervisory auditor Alan Stapleton.

Audits in Process

On September 30, 1977, 77 audits were in process, covering a wide range of activities for managing and compensating the Federal work force. Work included, for example:

- A review to determine how well the military services' 20-year retirement serves management needs.
- An examination, requested by three congressional committees, of the desirability of integrating over 50 Federal retirement systems into 1 system.
- A study of possible alternatives to the pay adjustment processes used for Federal nonpostal employees.
- A review, requested by a Member of Congress, of the effects of postemployment restrictions on Federal regulatory agencies.
- An examination of the way the Department of Defense and the military services deal with the problem of personnel being absent without official leave.
- A review to determine the extent, if any, that certain policies and practices impede the accom-

plishment of Civil Service Commission objectives to provide merit-based, nondiscriminatory selection for Federal employment.

- A study, requested by a congressional subcommittee, to determine the cost of the All Volunteer Force.
- A review to evaluate the management practices and policies used by the Department of Defense and the military services to classify, train, and assign manpower/personnel managers and specialists and to determine the relative effectiveness of these practices and policies.
- A review to determine the effectiveness of the personnel management system and policies used in selecting, assessing qualifications of, and supporting the functions of administrative law judges and the measures of judges' productivity.
- A study to assemble a data base on how extensively, at what cost, and for what purposes consultants are used in the Federal Government.
- A review of the management and controls over training programs in the Department of Defense.
- A review of the Army's effectiveness in managing available enlisted personnel with critically needed skills.

CHAPTER ELEVEN

HUMAN RESOURCES

Responsibilities

The Human Resources Division audits the Department of Health, Education, and Welfare, the Department of Labor, the National Science Foundation, the Community Services Administration, the Consumer Product Safety Commission, the Federal Trade Commission, the Equal Employment Opportunity Commission, the Legal Services Corporation, ACTION, the Corporation for Public Broadcasting, health programs of the Department of Defense and the Civil Service Commission, the Railroad Retirement Board, the Veterans Administration, and other commissions and councils.

The division leads the Office's work on Federal programs for health, manpower, education, income secu-

rity, consumer and worker protection, and equal opportunity. In fulfilling these responsibilities, it prepares Office-wide program plans, maintains a data base of audits, develops resource material to identify areas and assignments of interest to the Congress, monitors and coordinates audit work, and serves as a focal point for contacts with outside organizations and agencies.

Gregory J. Ahart is the Director and Morton E. Henig and James D. Martin are the Deputy Directors.

Audit Reports

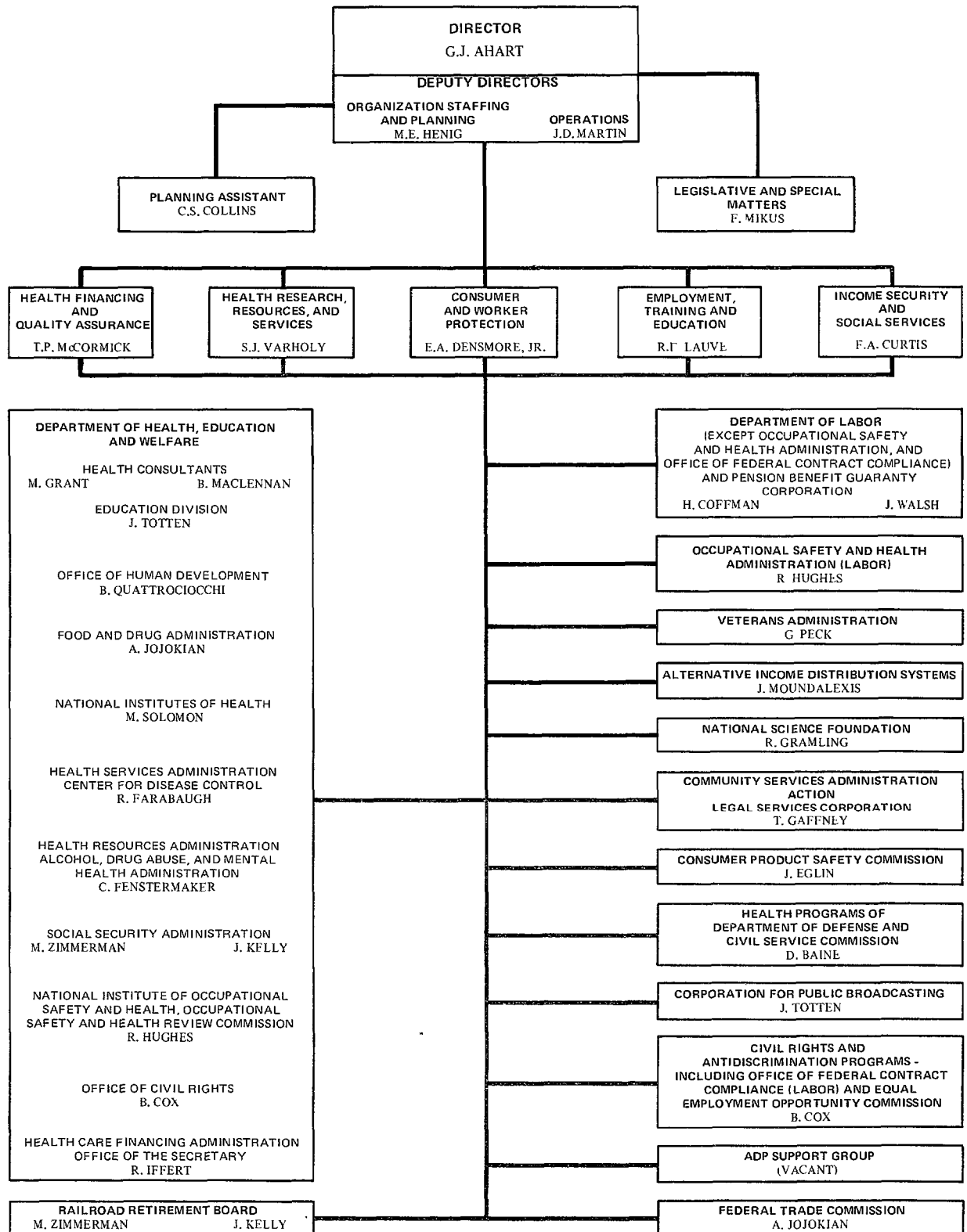
During fiscal year 1977, we sent 22 reports to the Congress and 90 to committees or Members at their requests. In addition, 51 reports were sent to department or agency officials.

Assistance to the Congress

About 52 percent of our professional Washington and field staff resources were spent on assisting the Congress directly. This assistance included (1) inves-

Table 1

	Reports submitted to				Total
	Congress	Congressional committees	Members of Congress	Agency officials	
Departments:					
Health, Education, and Welfare	11	28	21	22	82
Defense (medical programs)	2	6	-	3	11
Labor	3	11	9	13	36
Multiagency	1	-	-	-	1
Independent agencies:					
Civil Service Commission (medical programs)	-	1	-	-	1
Community Services Administration	-	1	2	-	3
National Science Foundation	1	4	-	-	5
Veterans Administration	4	4	2	13	23
Other	-	-	1	-	1
Total	22	55	35	51	163



SEPTEMBER 30, 1977

HUMAN RESOURCES

tigations and reviews either directed by statute or undertaken at the request of congressional committees and Members, (2) staff assignments to committees (see app. 4), (3) comments on pending legislation, (4) testimony at committee hearings, and (5) discussions of work plans and audit findings with the committee staffs.

The division received 303 congressional requests, 80 of which had been fulfilled as of September 30, 1977.

Many requests for assistance were satisfied by discussion with the requestors or their representatives, by correspondence not classified as reports, or by informally furnished information. In addition, 15 statements were presented in testimony before congressional committees or subcommittees.

Department of Health, Education, and Welfare

In fiscal year 1977 HEW spent an estimated \$147.5 billion for health, education, and income security programs.

Health Programs

HEW's expenditures for health programs were \$32 billion, or about 21.7 percent of HEW's total outlay. These funds were for (1) increasing health resources, such as research, training and education, and health care facilities, (2) providing health service programs, such as medicare and medicaid, and (3) providing programs to prevent and control health problems, such as consumer and occupational safety and disease control. Special programs, such as drug abuse prevention, family planning, venereal disease control, and nursing-home improvement, were also maintained.

Medicare and Medicaid

The medicare and medicaid programs help eligible persons pay for health care services. Medicare is for persons at least 65 years old and for some disabled persons under 65 who meet certain eligibility requirements. During fiscal year 1977, an estimated \$21.2 billion was paid out under medicare.

The medicaid program provides health services for the poor through State agencies. HEW made medical assistance grants to States totaling \$9.7 billion during fiscal year 1977.

Potential Effects of National Health Insurance Proposals on Medicare Beneficiaries—Medicare's complicated benefits structure baffles beneficiaries and

creates administrative problems for the Government, intermediaries like the Blue Cross Association, and hospitals.

We reviewed several prominent national health insurance proposals introduced in the Congress, analyzing their features and their effect on medicare's methods of reimbursing beneficiaries for their cost of medical care.

We recommended that the Secretary of HEW direct the Commissioner of Social Security to expand the agency's testing of the use of credit cards under medicare and determine the feasibility of using them under national health insurance proposals.

We also recommended that the Congress, in deliberating national health insurance proposals that would change medicare's benefit structure, carefully explore whether the benefits of introducing an income test for prospective beneficiaries would justify the added administrative problems and costs. Further, if it finds cost sharing for inpatient hospital services desirable, the Congress should provide for a fixed, daily copayment for inpatient hospital services. (HRD-76-129, Feb. 24, 1977.)

Required Contributions by Relatives of Medicaid Nursing Home Patients—We reviewed a sample of nursing homes in Florida, Georgia, Ohio, and Utah to determine whether the homes were requiring contributions from the families of medicaid patients as a condition of admittance or continued stay. Although we found no clear-cut cases of forced contributions, several patients' families in Florida and Georgia told us the nursing homes pressured them for contributions.

We recommended that the Secretary take action to see that families of medicaid patients are fully aware of their rights concerning contributions.

We also recommended that the Senate Special Committee on Aging propose an amendment to the Social Security Act to provide a clear statutory basis for prosecuting nursing homes that require contributions as a precondition for admittance or continued stay. This recommendation was enacted in Public Law 94-142. (HRD-77-90, May 26, 1977.)

Problems in Carrying Out Medicaid Recovery Programs From Third Parties—The Social Security Amendments of 1967 required States to have programs for recovering medicaid payments from liable third parties, such as insurance companies. We reported on problems in implementing these programs and recommended improvements in HEW actions to maximize recoveries.

Also, certain State practices we discussed have placed medicaid in the position of being primarily liable for paying medical bills which insurance companies would otherwise pay. Public Law 95-142 included

a provision designed to prevent these practices. (HRD-77-73, May 6, 1977.)

Investigations of Medicare and Medicaid Fraud and Abuse—Improvements Needed—At the request of the Chairman, Subcommittee on Health, Senate Finance Committee, we examined the actions taken by HEW, its contractors, and two States to investigate suspected fraud or abuse in the medicare and medicaid programs.

Medicare investigations were usually begun as the result of complaints; little work was self-initiated. Medicare officials recognized the need for evaluating past work and for initiating more investigations—especially at hospitals, nursing homes, and home-health agencies—and had proposed a reorganization to meet these needs. Subsequent organizational changes within HEW, including the establishment of the Office of Inspector General and the Health Care Financing Administration, will change the HEW organizations responsible for controlling fraud and abuse.

About half of the medicare fraud cases referred to U.S. attorneys had been prosecuted—usually successfully. However, U.S. attorneys were often slow in deciding whether or not to prosecute, and some decisions appeared to be based on factors other than the cases' merits.

Limited reviews of medicaid programs in two States showed a wide variance in the emphasis placed on investigations. Medicaid investigations were not well coordinated with medicare investigations.

We made several recommendations to the Secretary for improving investigations of medicare and medicaid fraud. (HRD-77-19, May 23, 1977.)

Other Reports

Other reports covered such matters as (1) medicaid institutional utilization controls, (2) affiliations between certain profit enterprises and nonprofit prepaid health plans operating under medicaid contracts, (3) the lack of coordination between medicaid and medicare at a large hospital, and (4) State systems to insure quality care to medicaid recipients in intermediate care facilities.

Testimony

We testified at several hearings concerning medicare and medicaid, on (1) May 25, 1977, before the Subcommittee on Monopoly, Senate Select Committee on Small Business, on the procurement of eyeglasses and other medicaid supplies and services and (2) July 21, 1977, before the Subcommittee on Health, Senate Committee on Finance, on the development and organization of the Health Care Financing Administration.

Audit Work in Process

At September 30, 1977, we were reviewing the medicare program to determine (1) when home health care costs less than institutional care, (2) how much certain costs changes to medicare benefit criteria for home health care will cost the Government, and (3) what difficulties HEW and the States are experiencing in coordinating the many Federal programs which offer home health care benefits.

Medicaid reviews included those of (1) insuring arrangements, (2) the availability of medical services to recipients, (3) programs in Illinois and Ohio, (4) home health care, (5) payments to nursing homes for drugs and other ancillary services, (6) State procedures for procuring medical appliances for recipients, (7) reimbursement of corporate charges to chain-operated nursing homes, (8) financial management of Professional Standards Review Organizations, and (9) computer systems used to process medicaid claims and control utilization.

General Health Services

The Swine Flu Program: An Unprecedented Venture in Preventive Medicine—The National Swine Flu Immunization Program of 1976 (Public Law 94-380) was the Federal Government's first attempt to immunize the entire U.S. population. The Center for Disease Control, Department of Health, Education, and Welfare, planned and implemented the \$135 million program, and the Food and Drug Administration tested the vaccine used.

We reported on program justification and cost, Federal liability implications, vaccine production and testing, and program planning and implementation. We recommended that, when decisions about future mass immunization programs must be based on very limited scientific data, the Secretary establish key points for formally reevaluating the programs. We also recommended that the Congress establish a national liability policy, considering the needs of the States and other program participants, before another mass immunization program is needed. (HRD-77-115, June 27, 1977.)

Need to Reassess the Role of the Public Health Service Hospital System—As required by section 818(a) of the Department of Defense Appropriation Authorization Act, 1974 (Public Law 93-155), the Public Health Service hospital system is attempting to maintain a level and range of direct patient-care services comparable with 1973. However, because of spiraling inflation and limited budget increases, the hospital system has been unable to (1) keep pace with advancements in medical practice and technology, (2)



Auditor Jesse Flowers (right) examines refrigerated storage of about 60 million doses of excess swine flu vaccine at a Federal installation.

comply with minimum safety and professional accreditation standards, and (3) maintain optimum utilization and productivity levels.

We recommended to the Congress that, when deliberating on the funding, it consider whether the United States intends to achieve the hospital system's potential as a resource for medical care at a reasonable, controllable cost. (HRD-77-111, May 26, 1977.)

Other Reports

We reported to the Chairman, Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce, and to the Secretary of Health, Education, and Welfare on improvements needed in the issuance of health program regulations. (HRD-77-23, Feb. 4, 1977, and HRD-77-58, May 5, 1977.)

We also reported to the Chairman, Subcommittee on the Department of the Interior and Related Agencies, Senate Committee on Appropriations, on certain hospital construction projects proposed for funding by HEW's Indian Health Service. We questioned the Service's methodology for determining the bed capacity of planned hospitals, which appears excessive. (HRD-77-112, May 31, 1977.) We also reported to Senator J. G. Abourezk on medical research involving American Indians and sterilization of Indians at the

Service and at contract facilities. (HRD-77-3, Nov. 4, 1976.)

Other Testimony

We testified on April 4, 1977, before the Subcommittee on Oversight, House Committee on Ways and Means, on our review of the implementation of the Professional Standards Review Organization program and on September 16, 1977, before the Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce, on our review of the swine flu program.

Assistance to the Congress

As part of our continuing responsibility to monitor the implementation of the Health Maintenance Organization Act, we summarized the status of HEW's grants and loans as of June 30, 1977. We provided the summaries to nine Congressmen who have a continuing interest in health maintenance organizations.

Audit Work in Process

Work in process at September 30, 1977, included audits of the effectiveness of (1) the Center for Disease Control's venereal disease control program and the control system, (2) HEW's audit of swine flu vaccine costs, (3) certain procurement practices during the

swine flu program, (4) community health centers, and (5) implementation of the Indian Self-Determination Act.

Section 1314 of the Health Maintenance Organization Act, as amended in October 1976, requires GAO to review 10 or one-half (whichever is greater) of the organizations assisted and qualified as of December 31, 1976. The Chairman and the ranking minority member of the Subcommittee on Health and Scientific Research, Senate Committee on Human Resources, have asked for 14 reports to them and to the Chairman and the ranking minority member of the Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce. A report summarizing our 14 audits will be submitted to the Congress by June 1978.

We are also reviewing (1) the administration of Federal grants awarded to the Genesee Region Family Planning Program, Inc., of Rochester, New York, (2) professional standards review programs, (3) Indian Health Service facilities construction, (4) management of the health organization program in region VIII, (5) the National Audio-Visual Center, and (6) Federal efforts to reduce or prevent infant diseases and deaths.

Alcohol, Drug Abuse, and Mental Health Administration

The mission of the Alcohol, Drug Abuse, and Mental Health Administration is to lead the Federal effort to reduce problems caused by the abuse of alcohol and drugs and to improve the mental health of the population. This mission is carried out through the work of three separate institutions. In fiscal year 1977 the Administration was appropriated about \$925 million.

Progress and Problems in Treating Alcohol Abusers—Federal efforts to treat excessive drinkers have improved since the National Institute on Alcohol Abuse and Alcoholism was established in 1970. However, increased Federal leadership and improved Federal and State programs are essential for a concerted national attack against alcohol abuse.

Institute and State planning processes are inadequate for developing program plans which will allocate resources according to needs.

The Institute's support for alcohol treatment projects must continue because revenues from third-party sources have generally not materialized. Government medical assistance programs and private insurance carriers have limited the amount of alcohol abuse treatment covered by their programs.

We recommended that the Congress (1) give the Institute sufficient authority to establish mechanisms for coordination among Federal agencies and to moni-

tor their alcoholism programs, (2) clarify the purpose and scope of the provisions in the supplemental security income program because of uncertainty as to whom mandatory treatment provisions apply, (3) explore the need for legislation to require Federal medical insurance programs to recognize services delivered by certain providers as reimbursable, and (4) explore the need for legislation to authorize continuous Federal funding for non-revenue-producing alcohol abuse services—consultation and education, outreach, and referral—which will probably never generate revenue to cover costs.

We also made a number of recommendations to the Secretary for improvements in the Department's alcohol treatment program. (HRD-76-163, Apr. 28, 1977.)

Returning the Mentally Disabled to the Community—Government Needs to Do More—Care and treatment for the mentally disabled in communities rather than in institutions has been a national goal since 1963. Still, many mentally disabled needlessly enter, remain in, or reenter institutions. Others have been released from institutions before enough community facilities and services were available and without adequate planning for, and later review of, their needs.

Because Federal programs provide the financing, States are encouraged to transfer the mentally disabled from institutions to nursing homes and other facilities that often are inappropriate. Federal programs could be more effective in encouraging "deinstitutionalization"—that is, serving in institutions only those needing institutional care and serving others in the community. However, these programs need to be better managed, responsibilities and accountability of Federal agencies need to be clearly defined, and Federal agencies need to work harder together to achieve deinstitutionalization.

To improve the coordination among agencies and among programs and to improve individual programs, we recommended that the Congress (1) designate a committee in each House to monitor all Federal assistance to place the mentally disabled in the community, so that Federal agencies work together and support State efforts to serve the mentally disabled, (2) require State developmental disabilities programs to concentrate on coordinating activities at the local level, (3) amend the Social Security Act to increase the out-patient mental health services available under medicare, (4) consolidate the funds earmarked for mental health under the special health revenue sharing and the community mental health center programs into a formula grant to State mental health agencies, and (5) consider whether additional legislation is needed to help Federal, State, and local agencies increase job training and placement services to the severely mentally

HUMAN RESOURCES

disabled, who have particular disadvantages in the job market.

We also recommended to the Director, Office of Management and Budget, and the Secretaries of Health, Education, and Welfare; Housing and Urban Development; and Labor a number of actions they could take to help the mentally disabled return to the community. (HRD-76-152, Jan. 7, 1977.)

Other Reports

Other reports covered such matters as (1) Federal agencies' programs for treating employees with alcohol-related problems and (2) awards of grants and contracts by the National Institute on Alcohol Abuse and Alcoholism and the National Institute of Mental Health.

Testimony

On March 28, 1977, we testified before the Subcommittee on Fiscal and Government Affairs, House Committee on the District of Columbia, on our review of St. Elizabeth's Hospital.

Audit Work in Process

Audits in process at September 30, 1977, included (1) the effectiveness of efforts to prevent mental retardation, (2) the delivery of mental health services in the District of Columbia, including St. Elizabeth's Hospital, (3) problems presented by specialization and geographic distribution of physicians, (4) the implementation of the National Health Planning and Resources Development Act of 1974, and (5) the use of expanded-function dental auxiliaries.

Food and Drug Administration

The Food and Drug Administration is a scientific regulatory agency of HEW, responsible for the safety of the Nation's foods, cosmetics, drugs, medical devices, biologicals, and radiological products. For fiscal year 1977, the FDA budget was about \$242 million.

Food and Drug Administration's Regulation of Imported Products Needs Improving—We reported to the Congress that the lack of information on food, drugs, cosmetics, biologicals, medical devices, and radiation-emitting electronic products entering the United States limits the effectiveness of FDA's efforts to regulate these imported products.

We made several recommendations to HEW for improving regulation. We also recommended to the Secretary of the Treasury that the U.S. Customs Service notify, or require importers to notify, FDA before special immediate delivery permits are issued.

HEW questioned whether some of our recommendations provided the most appropriate solutions to the problems. Treasury agreed with our recommendation to it. (HRD-77-72, July 5, 1977.)

Federal Efforts To Protect Consumers From Food Contaminated With Polybrominated Biphenyl—In 1973 an industrial chemical containing polybrominated biphenyls was mistaken for magnesium oxide, a feed supplement, and mixed with animal feed in Michigan.

At the joint request of the Chairmen, Senate Committee on Commerce, Science, and Transportation and Subcommittee on Science, Technology, and Space, and Senator Donald W. Riegle, Jr., we reviewed the activities of FDA and the Department of Agriculture in dealing with this mixup and the resulting contamination of beef, poultry, and dairy products. (HRD-77-96, June 8, 1977.)

Need To Establish Safety and Effectiveness of Antibiotics Used in Animal Feeds—At the request of the Chairman, Subcommittee on Oversight and Investigation, House Committee on Interstate and Foreign Commerce, we reported on FDA's regulation of antibiotics used in animal feeds.

FDA permitted the use of several antibiotics in animal feeds, even though their safety and effectiveness had not been established. One fear was that strains of antibiotic-resistant bacteria could develop in animals and man. We questioned FDA's use of a policy advisory committee to review a matter of regulation, not policy. Also, one committee member who participated in the decision had a personal interest in its outcome, thus raising a question of conflict of interest.

We recommended that (1) FDA promptly determine the safety and effectiveness of antibiotics used in animal feeds and withdraw approval of those not shown to be safe and effective, (2) policy advisory committees be used to review only broad policy matters, and (3) committee members be made aware of their responsibilities and restrictions under conflict-of-interest laws and regulations. FDA agreed with our first recommendation, and on August 30, 1977, it proposed to ban all uses of penicillin in animal feeds and announced its intention to seek a similar ban on many subtherapeutic uses of tetracycline in animal feed. It believed, however, that the advisory committee was used properly and that the committee member's participation did not constitute a conflict of interest.

On September 19, 1977, we testified before the Subcommittee on Oversight and Investigation, House Committee on Interstate and Foreign Commerce, on the results of our review. (HRD-77-81, June 27, 1977.)

Other Testimony

On January 13, 1977, we testified before the Senate Select Committee on Small Business on our reviews of FDA's regulation of three color and food additives—Red No. 2, aspartame, and saccharin. (MWD-76-40, Oct. 20, 1975; MWD-76-111, Apr. 8, 1976; HRD-76-156, Aug. 16, 1976.)

Audit Work in Process

In the works at September 30, 1977, were audits of FDA's drug approval process and its regulation of (1) cosmetics, (2) toxic residues in raw meat, (3) microwave radiation, (4) food additives, (5) contracts at the National Center for Toxicological Research, and (6) acrylonitrile, an indirect food additive.

Education Programs

Total expenditures for elementary, secondary, and higher education were estimated at \$131.1 billion for school year 1976-77. Total Federal outlays for education-related programs were estimated at \$21.6 billion for fiscal year 1977.

HEW's Education Division—comprising the Office of Education, the National Institute of Education, and the Office of the Assistant Secretary for Education—accounted for about \$8.04 billion, or 37.2 percent of these outlays. The Education Division administers about 130 Federal programs—to promote equal opportunity for all children and youth, to encourage improvements in the educational system, and to support research and development.

Education Program Reviews

Assessment of the Impact Aid Program—The impact aid program compensates local educational agencies for fiscal inequalities caused by (1) the presence of tax-exempt Federal lands and (2) the burden of providing a free public education to children whose parents are connected with the Federal Government. We made several recommendations to insure that impact aid payments are equitable.

Our report also described how local educational agencies would be affected by teaching children whose parents are connected with the Federal Government if aid was terminated. HEW concurred with most of our recommendations, and its planned actions were responsive. (HRD-76-116, Oct. 15, 1976.)

Indian Education in Public Schools Needs Congressional Direction—The Indian Education Act of 1972 is intended to meet the special educational needs of Indian children. Legislative and regulatory defini-

tions of eligible Indian children are too general, and "special educational needs" are inadequately defined. Funds are apportioned to local agencies by the number of Indian children enrolled, but they could be better distributed if apportioned by the number of children with special needs.

We recommended to the Congress that (1) the Indian Education Act be amended to more clearly define eligibility criteria and what constitutes special educational needs and (2) it require funds to be awarded according to the number of children with special educational needs, not according to enrollment.

We also recommended that the Secretary direct the Office of Education (1) to establish guidelines for determining and documenting the number of Indian children eligible for services and (2) to provide more specific guidelines for assessing needs. HEW generally agreed with our recommendations and has taken or planned corrective action. (HRD-76-172, Mar. 14, 1977.)

Problems and Needed Improvements in Evaluating Education Programs—To make educational evaluations more useful, HEW's Office of Education needs to (1) time them to fit in with the legislative cycle and brief congressional staffs more frequently, (2) establish qualitative and quantitative goals for all programs, and (3) assess State and local evaluation reports for needed improvements. We recommended that congressional and agency officials reach agreement on the objectives to be used in evaluations and on acceptable evaluation data and measures for each program. (HRD-76-165, Sept. 8, 1977.)

Other Reports

We reported to (1) the Congress on the improvements needed in HEW's administration of the basic educational opportunity grant program, (2) Congressmen Daniel Flood and Albert Quie on Federal support for developing curriculum materials and behavior modification techniques used in local schools, (3) Congressmen William Ford and Don Edwards on the Office of Education's guaranteed student loan program, (4) Senator William Proxmire on a contract to develop a project grant information system, (5) the Secretary of Health, Education, and Welfare and the Assistant Secretary for Housing, Department of Housing and Urban Development, on facilities construction for higher education institutions, (6) the Assistant Secretary for Education, HEW, on funds for improving post-secondary education, and (7) the Secretary of Health, Education, and Welfare on the national direct student loan program.

HUMAN RESOURCES

Testimony

In June 1977 we testified before the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor, concerning our report, "Assessment of the Impact Aid Program." (HRD-76-116, Oct. 15, 1976.)

Audit Work in Process

At September 30, 1977, we were examining (1) special education programs for handicapped children, (2) the program for the educationally deprived, (3) the emergency school aid program, (4) the impact of Federal education programs on State and local governments, (5) Office of Education implementation of selected programs, (6) the right to read program, (7) student assistance to Indians, (8) financial problems of small, private, liberal arts colleges, and (9) the program for strengthening developing institutions of higher education.

Office of Human Development

HEW's Office of Human Development administers programs that provide certain health, education, and social services to people with special needs, including children, youth, the aged, the physically and mentally handicapped, Native Americans, and people living in rural areas. The budget for these programs in fiscal year 1977 was \$4.6 billion.

Controls Over Vocational Rehabilitation Training Services Need Improvement—The vocational rehabilitation program provides various services to prepare handicapped persons for employment. Training is given on the job, in elementary and secondary schools, in universities and colleges, and in business and vocational schools. Training and other services are also provided at rehabilitation facilities and sheltered workshops. Federal expenditures for services, including training and physical and mental rehabilitation, amounted to \$468 million in fiscal year 1975.

We reported to the Congress that insufficient control over spending for training services has resulted in questionable expenditures and instances where clients have not fully benefited from the training. HEW generally agreed with our recommendations to improve the fiscal and operational management of training services and described actions taken or planned to implement them. (HRD-76-167, May 5, 1977.)

Other Reports

We reported (1) to the Chairmen, Senate Committee on Aging and House Committee on Education

and Labor, on the progress and problems of local agencies' help for the aging, (2) to Senator Lee Metcalf and Congressman John Melcher on the services provided under a special program to "head start" projects for Indians, (3) to the Chairman, Subcommittee on Federal, State and Community Services, House Select Committee on Aging, on transportation programs for the elderly, (4) to Representative Lloyd Meeds on the operation of the Lummi Indian School of Aquaculture near Bellingham, Washington, (5) to the Secretary of Health, Education, and Welfare on problems in administering cooperative agreements between the Indiana State vocational rehabilitation agency and 33 school corporations, and (6) to the Chairman, Subcommittee on Social Security, House Committee on Ways and Means, on HEW actions to implement the recommendations in our May 13, 1976, report, "Improvements Needed in Rehabilitating Social Security Disability Insurance Beneficiaries."

Testimony

On August 9, 1977, we testified before the House Select Committee on Aging on the first phase of our study of the well-being of older people in Cleveland, Ohio, and how 23 Federal programs affect these persons. (HRD-77-70, Apr. 19, 1977.)

Audit Work in Process

At September 30, 1977, we were reviewing (1) the need to better use research and demonstration results and to clarify the role of the Children's Bureau, (2) the impact of Federal, State, and local programs on the elderly, (3) the management of the title VII nutrition program for the elderly, (4) the administration of the vocational rehabilitation program's cooperative agreements, (5) the supplemental security income vocational rehabilitation program, and (6) the day care program.

Income Security and Welfare Programs

Federal spending was estimated at over \$187.6 billion in fiscal year 1977 for income security benefits comprising (1) cash payments, such as social security, veterans benefits, and public assistance, and (2) payments in kind, such as food stamps, health care, and housing.

HEW's share of these expenditures was about \$127.4 billion, or 67.9 percent, for such programs as social security, supplemental security income, public assistance, special benefits for coal miners, and refugee assistance.

Income Security and Welfare Operations

Resettlement Problems of Indochinese Refugees—We reported to the Congress that (1) problems concerning the costs of resettling Indochinese refugees resulted from overly broad contracts with voluntary resettlement agencies and (2) drawing welfare benefits prohibits resettled refugees from becoming permanent resident aliens. As of December 1976 about 44,000 of the 144,000 Indochinese refugees who entered the United States after the South Vietnamese and Cambodian governments collapsed were receiving welfare payments. We asked the Congress to enact legislation similar to Senate bill 694, 95th Congress, which would overcome this prohibition, eventually paving the way for U.S. citizenship and more job opportunity. (HRD-77-35, May 10, 1977.)

Steps Government Can Take To Improve Care of Children in Foster Care Institutions—Because State and local agencies placing and caring for foster children in institutions, under the aid to families with dependent children program, cannot be held accountable to specific Federal guidelines (because there are none), the care provided and the rates paid exceed those contemplated when the original legislation was enacted in 1961. We asked the Congress to clarify the legislation to specify the children to be served, considering the services available to children from other government programs. (HRD-77-40, Feb. 22, 1977.)

Legislation Needed To Improve Program for Reducing Erroneous Welfare Payments—For several years the Congress has expressed concern about the high incidence of erroneous payments to families with dependent children. In 1973 HEW responded by establishing a timetable in its quality control program requiring States to achieve specified error tolerances. In March 1977, as a result of court decisions, HEW had to revoke its provision for withholding payments to States that did not comply.

We reported to the Congress that (1) although error rates have declined since 1973, nearly \$500 million a year in Federal funds are being misspent, (2) HEW lacks the authority to withhold funds and will continue to encounter administrative problems in implementing any financial incentive provisions, and (3) the AFDC program needed several improvements.

HEW generally agreed with our recommendations to improve the quality control program and report its accomplishments. We asked the Congress to enact legislation establishing financial incentives to the States for controlling welfare payment errors. (HRD-76-164, Aug. 1, 1977.)

Other Reports

We reported to the Congress on (1) supplemental security income program overpayments to medicaid-supported nursing-home residents, (2) supplemental security income payment errors, and (3) the limited use to national policymakers of the results of social research and development. We also issued reports to several committee chairmen and Members of Congress on (1) problems and progress in speeding hearings for disability claimants, (2) construction of a computer building and computer utilization by the Social Security Administration, (3) legislation needed for supplemental security income recipients to be treated more equitably, and (4) various States' administration of the AFDC program.

Audit Work in Process

At September 30, 1977, we were reviewing the effectiveness of the quality assurance program for supplemental security income. Other reviews in process concerned (1) privacy issues, (2) collections of overpayments, (3) changes in recipients' circumstances, (4) the impact of aliens on supplemental security income rolls, (5) methods to better process and pay benefits to disability claimants, and (6) the effectiveness of the title II disability quality assurance system.

We also were reviewing emergency assistance to families with needy children, HEW's system of reimbursing States for the Federal share of public assistance costs, payments to the same recipient from more than one welfare program, and the effectiveness of work incentive provisions in public assistance programs.

Civil Rights and Antidiscrimination Programs

Management of HEW's Office for Civil Rights Needs Improvement—At the request of Senator Birch Bayh we reported on enforcement responsibilities of HEW's Office for Civil Rights and its use of resources. The Office lacked (1) a comprehensive and reliable management information system, (2) uniform policy guidelines and compliance standards, (3) information on the skills and knowledge its professional employees need to effectively enforce civil rights, (4) uniform criteria for allocating staff resources among enforcement activities, (5) coordination with HEW program agencies, and (6) an effective communication system between its headquarters and regional offices. (HRD-77-78, Mar. 30, 1977.)

HUMAN RESOURCES

Other Reports

We reported to Congressman Olin Teague and Senator Henry Jackson on the funding and activities of the National Commission on the Observance of International Women's Year. (HRD-77-26 and 27, Jan. 13 and 17, 1977.)

Testimony

We testified before the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary, on the proposed reorganization of Federal programs to promote equal employment opportunity.

Audit Work in Process

At September 30, 1977, we were reviewing (1) national problems caused by Federal agencies' fragmented programs for equal employment opportunities, (2) employment discrimination in skilled-craft labor unions, (3) school desegregation, (4) the need for a generally accepted method for determining the equal employment opportunity status of employers, and (5) discrimination in providing services under Federal financial assistance programs. Also, Federal laws, regulations, and executive orders relating to equal opportunity and nondiscrimination will be identified and analyzed in a staff study to go to the Congress.

Veterans Administration

Veterans number about 29.8 million. In addition, 64.5 million family members of living veterans and survivors of deceased veterans can receive veterans benefits. During fiscal year 1977 VA spent about \$18.4 billion on services to these veterans and dependents—about \$13.2 billion for benefits such as education, compensation, insurance, and pensions and about \$5.2 billion for health care.

Allocating Beds at Three VA Hospitals—At the request of the Chairman, Senate Appropriations Subcommittee on HUD-Independent Agencies, we reported on the methodology VA used to determine the number of beds at new and replacement hospitals. Using a computer-based model, we estimated that the proposed number of beds for three hospitals was nearly correct. However, the mix of bed types was improper—VA was planning on too many acute care beds and too few nursing-home care beds, which are less expensive. We recommended that VA (1) revise the bed mix of the three proposed facilities to conform with our model and (2) abandon its methodology in favor of ours.

We also recommended that the Congress explore the extent that VA hospitals should be allowed to treat illnesses not related to service. As a result of our report, VA's construction appropriation was reduced by \$10 million for fiscal year 1978. (HRD-77-104, May 20, 1977.)

Operational and Planning Improvements Needed in the Veterans Administration Domiciliary Program—

We reported to the Congress problems in operating VA domiciliaries for the needy and disabled. We recommended that the Administrator of Veterans Affairs (1) improve central-office program management, (2) require domiciliaries to properly apply admission criteria, periodically evaluate therapeutic recreation programs, identify domiciled veterans that could return to community living, and develop individualized community restoration goals and plans, (3) instruct domiciliaries to improve the quality of medical care, and (4) implement a management reporting system. We also recommended that the Administrator improve planning for new domiciliary facilities before proceeding further with VA's long-range construction plans.

VA concurred with most of our recommendations and outlined corrective actions. It disagreed with using community alternatives to domiciliary admission, periodically evaluating therapeutic recreation programs, and reevaluating its long-range domiciliary construction plans. We also recommended that the Congress explore with VA the feasibility of increasing incentives for veterans to return to community living. (HRD-77-69, Sept. 21, 1977.)

Potential for Reducing U.S. Financial Support of and Ending VA Involvement in the Medical Program for Filipino Veterans—

At the request of the Chairman, Senate Appropriations Subcommittee on HUD-Independent Agencies, we reported on the VA medical care program for Filipino veterans who served under U.S. military command. We recommended that, if the Subcommittee believes it is time for the Philippine Government to assume greater responsibility for providing medical care to these veterans, it move to discontinue funding the program when it expires on September 30, 1978. However, because of the present U.S. commitment to provide medical treatment to Filipino veterans for service-connected illnesses, the U.S. should change the basis of funding from a reimbursable contract to a fixed-sum grant that would pay for only service-connected care at the Veterans Memorial Medical Center, Philippines.

As a result of our work, VA's fiscal year 1978 appropriation for this program was reduced by \$400,000, to \$1.7 million. (HRD-77-95, May 20, 1977.)

Other Reports

We reported (1) to the Congress that many VA cardiac catheterization laboratories unnecessarily provided this costly service although it was available at nearby VA and community hospitals, (2) to the Senate Appropriations Subcommittee on HUD-Independent Agencies that transfers of federally owned land from VA hospitals to affiliated medical schools generally appeared proper, but the attempted transfer of VA hospital land in north Chicago did not comply with regulations and was suspended, (3) to the Chairman of the Senate Veterans' Affairs Committee that VA had not responded to our recommendations concerning automated clinical laboratories, and (4) to Congressmen John E. Moss and Charles Rose that VA did not thoroughly evaluate the costs and benefits of a "target" computer system intended to modernize and improve services. A restricted report went to several members of the House and Senate on VA's site justification for the Portland, Oregon, replacement hospital.

Reports were issued to the Administrator of Veterans Affairs on medical treatment of ineligible veterans and on VA's inappropriate billing for electron microscopy services to nonveterans.

Other reports went to the Director of VA's Boston region on veterans taking unnecessary courses and enrolling in unapproved programs, to the Director of VA's Washington, D.C., Hospital on a questionnaire we sent to physicians there, and to the Director of VA's Internal Audit Service on the veteran representative on campus program.

Testimony

On August 31, 1977, we testified before the Senate Appropriations Subcommittee on HUD-Independent Agencies on the need to change veterans assistance programs in the Philippines.

Audit Work in Process

At September 30, 1977, we were reviewing VA's (1) implementation of our recommendations on educational assistance overpayments, (2) goals and objectives for educational programs, (3) predischARGE education awards, (4) veterans' cost-of-instruction program, (5) promptness in delivering educational benefit checks, (6) surgery service efficiency, (7) health manpower assistance program under Public Law 92-541, (8) hospital-medical school affiliation program, (9) determination of bed size and mix for replacement hospitals, (10) personal care residence program, and (11) programs in the Philippines.

Other Government Health Programs

During fiscal year 1977 we reviewed Department of Defense health programs and the Federal employees health benefits program administered by the Civil Service Commission. Defense spent an estimated \$3.6 billion to provide medical care to members of the military services, retirees, and military dependents. The Federal employees program provides health care insurance coverage for about 3.3 million enrollees and about 6.4 million dependents. Government enrollees' contributions to various insurance plans are expected to total about \$1.1 billion in this period, while the Government's share was about \$1.7 billion.

Greater Assurances Are Needed That Emotionally Disturbed and Handicapped Children Are Properly Cared For—We reported to the Congress on the need to better administer the civilian health and medical program of the Uniformed Services (CHAMPUS), to provide appropriate, reasonably priced care at (1) approved psychiatric residential facilities for children and adolescents, (2) facilities for the handicapped, and (3) specialized inpatient treatment facilities. Although improvements have been made, problems continue.

Defense has paid attention to our recommendations, which included development of (1) standards for the delivery of care, (2) requirements for periodic inspections of specialized facilities, (3) specific procedures for approving initial and continued care for patients at all facilities, (4) requirements that all approved facilities adopt utilization review and discharge planning programs, (5) formal contracts with care facilities for services and charges, considering the specific services to be provided to individual patients, (6) maximum Government payments and equitable sponsor's payments for residential handicap care, and (7) legislation to effect these program changes. (HRD-76-175, Oct. 21, 1976.)

More Civil Service Commission Supervision Needed To Control Health Insurance Costs—We reported to the House Subcommittee on Retirement and Employee Benefits on the possibility that insurance premiums of two Government-wide health insurers—Blue Cross/Blue Shield and Aetna—may continue to increase rapidly if CSC and the insurance carriers do not strictly control costs. Blue Cross/Blue Shield and Aetna have made payments without conforming to contract or policy requirements or without enough information to determine whether payments were allowable. CSC's contracts with the carriers do not contain incentives for them to control payments. To achieve better controls, CSC should include incentives in the

HUMAN RESOURCES

contracts; include specific cost-control procedures the carriers must follow; and clarify its audit authority, expand its audits, and act more effectively on audit findings. If the Commission does not adopt these recommendations, the Subcommittee should consider developing legislation to this end. (HRD-76-174, Jan. 14, 1977.)

Other Reports

Other reports and staff studies covered such matters as (1) the operations and financial needs of the U.S. Soldiers' and Airmen's Home, (2) military hospital planning, (3) medical education and training programs for enlisted personnel, (4) physician assistance programs of the Army, Navy, and Air Force, (5) recovery of certain medical care costs of military personnel injured because of another individual's negligence, (6) the use of medicare reimbursement methods for paying hospital bills under CHAMPUS, (7) variations in claim-processing costs of fiscal agents for that program, (8) differences in premium rates charged by two California Kaiser prepaid group-practice plans, and (9) reimbursement rates for civilian patients treated at the Army's burn center.

Testimony

On March 15, 1977, we testified before the House Subcommittee on Compensation and Employee Benefits on the need for more CSC supervision to control health insurance costs for Federal employees. (HRD-76-174, Jan. 14, 1977.)

Audit Work in Process

As of September 30, 1977, reviews at the Defense Department included (1) opportunities to reduce the cost and improve the quality of cardiac catheterization, (2) the use of Federal health care facilities in the New Orleans area, (3) plans for computed tomography scanners, (4) the summer shortage of physicians at Defense hospitals, (5) perceptual and visual training as a CHAMPUS benefit, (6) the potential to reduce CHAMPUS costs through greater use of available military medical capability, and (7) the feasibility, advisability, and cost impact of eliminating CHAMPUS and substituting the Federal employees program. At CSC, we are reviewing how organizational structure and management policies affect health care costs and how Federal employee claims appeals are processed.

In addition, we are investigating (1) the extent that Federal health care is accessible to Hawaiians and (2) obstacles to and opportunities for medical regionalization and program sharing by Federal agencies.

Department of Labor

The Department of Labor had an estimated outlay of \$23.5 billion for fiscal year 1977. The Department administers and enforces statutes to protect and improve the welfare of American workers.

Employment and Training Programs

The Employment Service—Problems and Opportunities for Improvement—We reported to the Congress that the Employment Service had placed only 17 percent of its 18.5 million job applicants. Over half the applicants received no help.

The Department of Labor has emphasized obtaining more job openings through improving employer relations. However, the Department had not established standards for the employer relations program, and the level of activity at Service offices varied considerably. Many employers listed only some of their job openings with the Employment Service, and many had not been contacted by the Service in over 12 months.

We recommended that the Employment Service (1) make more use of a technique that allows an applicant to review job opportunities and be referred to one he selects without an extensive interview and registration process and (2) devote more resources to employer relations. A computerized job-matching system now being established needs reevaluation to determine potential benefits and the criteria that should be applied by each State in deciding to use the system. The Department generally agreed. (HRD-76-169, Feb. 22, 1977.)

The Jobless Can Benefit More From Public Service Employment—We reported to the Congress that much good has come from public service employment programs under the Comprehensive Employment and Training Act. They provide jobs and other benefits to participants and communities. But several factors lessen their effect:

- Too little money was provided.
- Funds were not always used to create new job opportunities.
- Relatively few participants obtained permanent, unsubsidized jobs.
- Some program objectives were compromised because of the recession.
- Ineligible participants got into the program.

Also, the salaries of participants who helped administer the program were not included as administrative costs, so the administrative costs of the program were understated.

The Department generally agreed with our recommendations for improving program administration but not with those for establishing uniform residency eligibility requirements and for including the salaries of certain participants under administrative costs. (HRD-77-53, Apr. 7, 1977.)

Other Reports

We issued reports on activities under the Comprehensive Employment and Training Act (1) to Congressman Jack Kemp on the factors that lessened the effectiveness of titles II and VI programs in Buffalo and Erie County, New York, (2) to the Chairman, Senate Committee on Veterans' Affairs, on service to veterans in Wilmington, Delaware, under title VI, (3) to Congressman Ronald V. Dellums on a training program in Berkeley, California, (4) to Senator William Proxmire on a program assisting migrant and seasonal farmworkers in Milwaukee, Wisconsin, and (5) to Senator Robert Morgan on the Migrant and Seasonal Farmworker Association programs in North Carolina.

We also reported (1) to Congressman Goodloe E. Byron on the deficient management of Government property and funds for the Maryland Job Corps Center, (2) to the Chairman, Human Resources Task Force, House Committee on the Budget, on the summer program for economically disadvantaged youths, and (3) to Congressman Fred Richmond on payment problems in the 1975 summer youth employment program in New York City.

Audit Work in Progress

At September 30, 1977, work included reviews of comprehensive manpower services, public service employment, migrant and seasonal farmworker programs, the minority-group skilled-trades program, the summer youth program, and the Job Corps, all under the Comprehensive Employment and Training Act; veterans' employment activities; unemployment insurance programs; and trade adjustment assistance activities.

Income Security Programs

We audited the Employment Standards Administration and the pension and welfare functions of the Labor-Management Services Administration. At the former, we reviewed the broad areas of improving and protecting wages (budgeted at about \$44.4 million for fiscal year 1977) and compensating workers (budgeted at about \$28.7 million plus special benefits of about \$623.5 million for fiscal year 1977). At Labor-Management, we concentrated on the Employee Retirement

Income Security Act of 1974 (budgeted at about \$22.1 million for fiscal year 1977).

Efforts to Implement the Employee Retirement Income Security Act of 1974—At the request of the Chairman and the ranking minority member of the Senate Committee on Human Resources, we reviewed the Department of Labor's organization and management of its functions under the Employee Retirement Income Security Act of 1974. The Department still had much to do before implementation of the act would be complete. Of the 53 areas the Department identified as needing regulation, only 15 had final regulations and another 10 had proposed regulations as of March 10, 1977. The Department agreed with our recommendations. (HRD-77-99, July 6, 1977.)

Improvements Needed in the Black Lung Benefits Program—At the request of the Chairman, Senate Committee on Human Resources, we reviewed the Department of Labor's actions in processing claims for miners and their survivors and the Department's success in achieving the intent of the 1972 amendments to the Federal Coal Mine Health and Safety Act. The Department was not achieving the results contemplated by the act and its amendments. It had been slow in adjudicating claims, had approved few, had a large backlog, and had paid out little in benefits. The Department is taking recommended actions to improve claims processing.

We also reported that the act's 3-year filing requirement results in denying many claims for widows and miners who would otherwise be eligible. We recommended that the Congress consider amending the act to delete the requirements that living miners file claims within 3 years of their last coal mine employment and that widows file within 3 years of the husband's death. (HRD-77-77, July 11, 1977.)

Other Reports and Assistance

We reported (1) to Congressman Alan Steelman on the Department of Labor's response to public inquiries about pension plan requirements under the Employee Retirement Income Security Act of 1974, (2) to Congresswoman Patricia Schroeder on the effectiveness of corrective actions Labor promised in administering and enforcing Davis-Bacon Act and Service Contract Act labor standards in contracting for carpetlaying in Colorado, (3) to Senator Russell Long on the enforcement of the Fair Labor Standards Act, (4) to the Department of Labor on hearing-loss compensation criteria under the Federal Employees' Compensation Act, (5) to the Senate Committee on Labor and Public Welfare on the investment decision-making process in 14 public employee retirement plans (seven reports), and (6) to various Federal

HUMAN RESOURCES

agencies on poor enforcement of Davis-Bacon Act labor standards provisions (nine reports).

We also briefed Members of Congress and congressional staffs on various Department of Labor programs.

Audit Work in Process

At September 30, 1977, our work included reviews of the Davis-Bacon Act, the Service Contract Act, the Federal Employees' Compensation Act, the Employee Retirement Income Security Act of 1974, and the Pension Benefit Guaranty Corporation.

Occupational Safety and Health

The Occupational Safety and Health Administration, Department of Labor, establishes and enforces safety and health standards for every employee in the Nation. For fiscal year 1977 it received about \$130.3 million.

The National Institute for Occupational Safety and Health, HEW, develops criteria for the Administration's use in establishing standards to protect employees from toxic substances and harmful physical agents. For fiscal year 1977 the Institute received about \$49.6 million.

Delays in Setting Workplace Standards for Cancer-Causing and Other Dangerous Substances—We reported to the Congress that several administrative

weaknesses have delayed standards to protect workers from cancer-causing and other dangerous substances. We recommended numerous actions to speed up standards development. In addition, we recommended that the Departments of Labor and of Health, Education, and Welfare determine whether more funds should be allocated to developing health standards and to informing and educating employers and employees on toxic substances.

Labor generally agreed with our recommendations and stated that actions were taken or planned to improve its program. HEW submitted numerous comments and suggestions for our consideration, but did not specify if it agreed with our recommendations. (HRD-77-71, May 10, 1977.)

Hazards From Exposure to Residual Fuels Need To Be Evaluated—We reported to the Secretaries of Defense; Labor; and Health, Education, and Welfare on two deaths from leukemia among workers at a Defense installation using number 6 fuel oil. Benzene, which has been known to cause leukemia, and other toxic substances are found in residual fuel oil like number 6.

We recommended that the Secretary of Defense, with the assistance of the National Institute for Occupational Safety and Health, determine whether toxic substances found in the fuel oil create an occupational health hazard and whether workers are protected. We made recommendations to the Secretaries of Labor and



Human Resources Division Director Ahart; Assistant Directors Grant and Mikus; and supervisory auditor Worrell, Atlanta regional office, testify on Federal employees disability compensation before the Manpower and Housing Subcommittee of the House Committee on Government Operations.

of Health, Education, and Welfare regarding the use of residual fuel oil by Federal agencies and private industry.

Defense officials did not agree that number 6 fuel oil was a problem; however, action was initiated to implement our recommendations. (HRD-77-116, HRD-77-117, and HRD-77-118, July 5, 1977.)

Testimony

On April 27, 1977, we testified before the House Committee on Government Operations and on June 29,

1977, before the Senate Committee on Human Resources on delays in setting workplace standards.

Audit Work in Process

At September 30, 1977, our work included reviews of enforcement of worker safety and health standards by the Occupational Safety and Health Administration and States, occupational health hazards in Federal workplaces, and the National Institute for Occupational Safety and Health's health hazard evaluation program.

CHAPTER TWELVE

COMMUNITY AND ECONOMIC DEVELOPMENT

Responsibilities

The Community and Economic Development Division audits the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior (except its energy- and mineral-related activities), and Transportation; the Army Corps of Engineers (civil functions); the Environmental Protection Agency; the Small Business Administration; the Interstate Commerce, Federal Maritime, and Federal Communications Commissions; the National Railroad Passenger Corporation (AMTRAK); and the Washington Metropolitan Area Transit Authority.

In addition, we are the lead division in GAO for all Federal programs for environmental protection; food; housing and community development; planning, management, and control of land use; transportation systems and policies; and water-related activities. We prepare program plans for the Office, maintain a data base of audits, develop resource material to help identify areas and assignments of interest to the Congress, and monitor and coordinate all audit work related to our responsibilities.

To more effectively carry out our reviews of computer/communication systems, we established an automatic data processing audit unit in March 1977. This unit will review the management and use of over 1,100 computer systems at agencies for which the division has audit responsibility. During fiscal year 1977, these agencies obligated over \$1 billion for automatic data processing activities.

Henry Eschwege is Director of this division and Baltas E. Birkle and Max Hirschhorn are Deputy Directors.

Audit Reports

During the fiscal year ended September 30, 1977, we submitted 47 reports to the Congress, 64 reports to its committees or Members, and 38 reports to department or agency officials. Table 1 shows the numbers and types of reports relating to each department and agency.

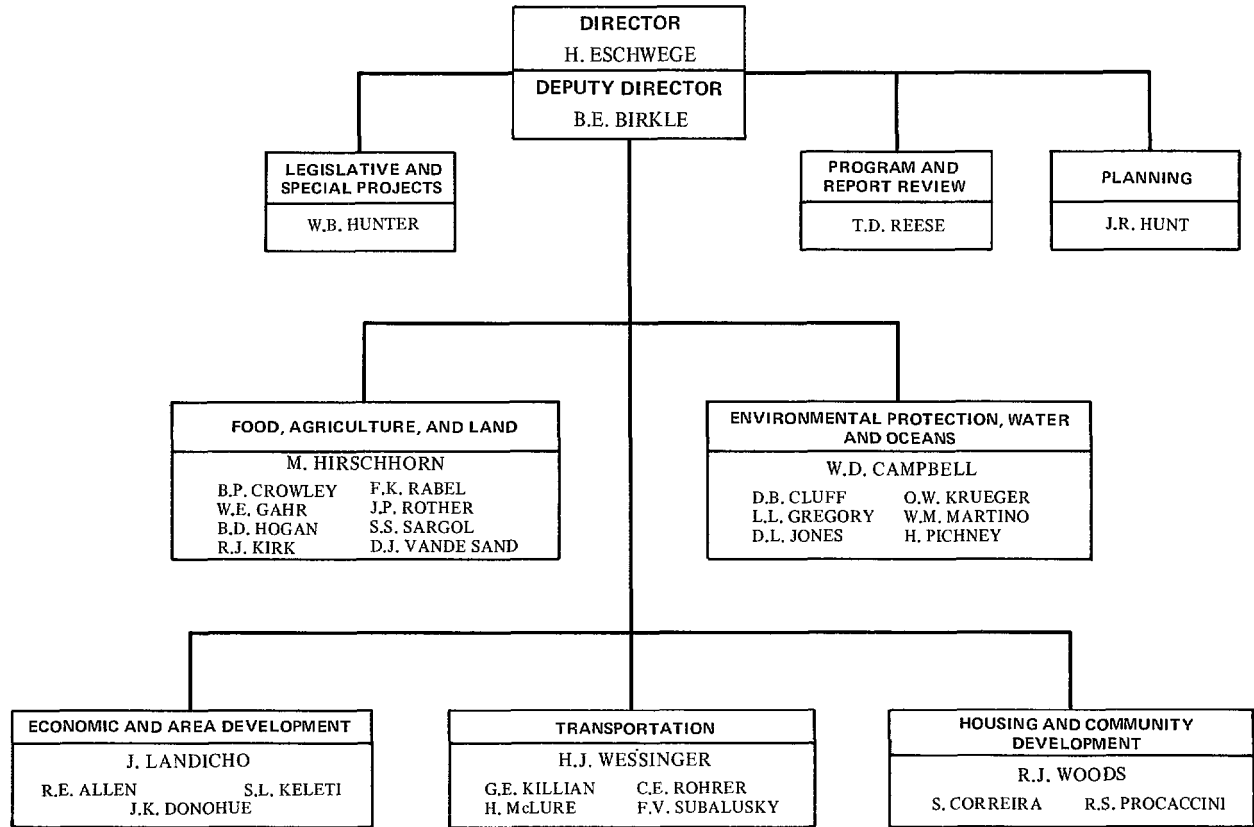
Assistance to the Congress

About 33 percent of our professional resources were devoted to direct assistance to the Congress, including (1) making reviews or obtaining information specifically requested by congressional committees and Members, (2) furnishing staff assistance to committees (see app. 4), (3) reviewing and drafting comments on pending legislation (see ch. 1), (4) testifying at committee hearings, and (5) discussing work plans and audit findings with committee staff.

During the fiscal year, we satisfied 252 requests from committees and Members of Congress; at the end of the fiscal year we were working on 160 others. Many were satisfied by oral reports, letters, or copies of reports issued to the Congress or to other congressional requesters. In 13 cases, requests were satisfied by preparing statements for or testifying before congressional committees or subcommittees.

GAO Work on Food

The objectives of our food system are to assure the American people that their food is safe, nutritious, and



SEPTEMBER 30, 1977

reasonably priced; to insure the viability of the U.S. food system itself, and to help meet the world's food needs.

During the fiscal year, GAO issued 56 food-related reports to the Congress and its committees and Members, as follows: Community and Economic Development Division—30; Human Resources Division—12; International Division—7; Procurement and Systems Acquisition Division—4; General Government Division—1; Logistics and Communications Division—1; and Program Analysis Division—1.

These reports dealt with such diverse matters as the management of agricultural exports, U.S. assistance in the world food program, the meat marketing system, food waste and the technology for reducing it, the Nation's ground water supply, deterioration of public rangeland, and the impact and effectiveness of the national school lunch program. Many of our food-related reports are discussed in other sections of this report.

Work in Process

At September 30, 1977, we were analyzing changes in the structure of American agriculture, examining

the need for increased coordination among Federal activities for educating the population on the importance of nutrition, and identifying the key issues in beef marketing.

Government-wide and Multiagency Activities

Many of our reports concerned activities shared by several Federal agencies but are classified in table 1 according to the principal agency. Three reports on multiagency activities are summarized below.

Actions Needed To Increase the Safety of Government-built Dams

In the aftermath of the 1976 Teton Dam disaster, the Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, asked us to review the dam-building procedures and practices used by the Bureau

Table 1

	Reports submitted to				Total
	Congress	Congressional committees	Members of Congress	Agency officials	
Departments:					
Government-wide and multiagency	4	1	-	-	5
Agriculture	10	6	13	4	33
Army Corps of Engineers	2	-	-	3	5
Commerce	3	-	7	8	18
Housing and Urban Development	7	1	8	5	21
Interior	2	5	2	4	13
Transportation	7	2	4	7	20
Independent Agencies:					
Civil Aeronautics Board	2	2	-	-	4
Environmental Protection Agency	6	7	-	5	18
Federal Communications Commission	-	2	-	-	2
Interstate Commerce Commission	2	2	-	1	5
Small Business Administration	-	-	1	1	2
Tennessee Valley Authority	-	-	1	-	1
United States Railway Association	1	-	-	-	1
National Railroad Passenger Corporation	1	-	-	-	1
Total	47	28	36	38	149

of Reclamation—which designed and constructed Teton—and by the Corps of Engineers, to determine whether changes to improve dam safety were needed.

In constructing the Teton Dam, the Bureau used questionable design practices, had no independent review to confirm its design decisions, did not always carry out the designer's intent, took unnecessary risks and relied too much on its design instead of monitoring and controlling dam safety during reservoir filling, did not heed a lesson on reservoir filling which it had identified 10 years earlier when another dam almost failed, and did not establish an effective plan for dealing with emergencies.

We recommended that the Secretary of the Interior direct the Bureau to

- require in Bureau instructions an independent review of its designs for all storage dams,
- correct the questionable design practices identified by the independent panel appointed by the Secretary of the Interior and the Governor of Idaho,
- develop instructions and drawings that more clearly reflect the designers' intent, and
- require that Bureau designers visit the sites frequently to see that their intentions are executed.

We also recommended that the Secretary of Defense require the Corps of Engineers to revise its procedures and practices to make sure that designs for all storage dams are reviewed by independent consultants when public safety could be threatened. We further recom-

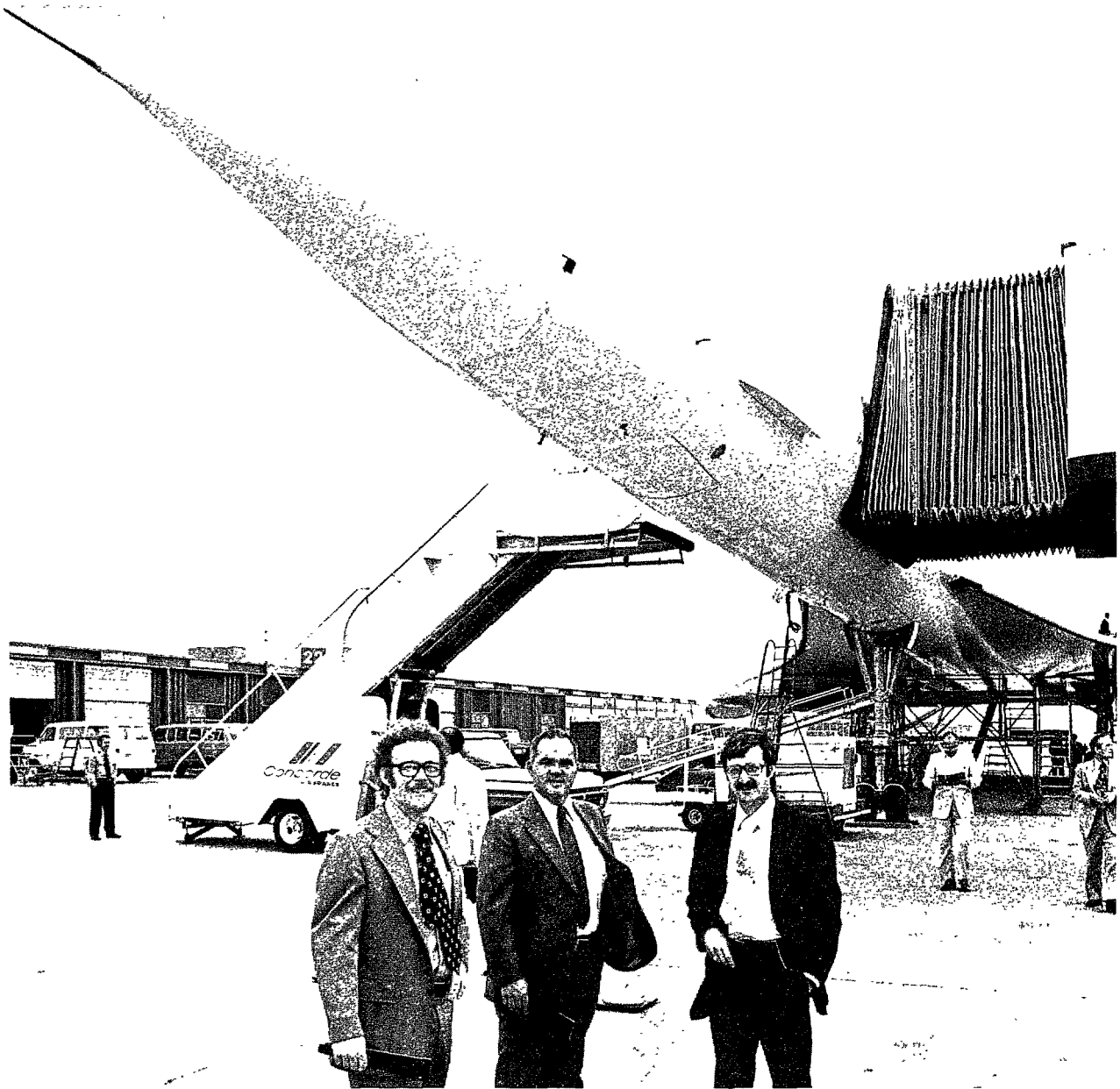
mended that the Bureau and the Corps revise their policies and procedures for such matters as (1) requirements for the amount and use of instrumentation for monitoring changing conditions inside dams and abutments and (2) the need for improved emergency preparedness plans.

In April 1977, the President issued a memorandum directing the head of each Federal agency having a role in dam safety to immediately review its practices thoroughly. These reviews will be used to coordinate safety programs and develop Federal dam safety guidelines. We recommended that (1) these reviews specifically address Bureau and Corps actions on our recommendations and (2) our recommendations' applicability to other agencies be evaluated in developing the guidelines.

The Department of the Interior stated it had taken some corrective actions we recommended and would study the others. (CED-77-85, June 3, 1977.)

Noise Control Has Been Slow and Ineffective

The purpose of the Noise Control Act of 1972 was to provide all Americans with an environment free of injurious noise and to provide effective coordination of Federal noise research and regulation. The act authorized the Environmental Protection Agency to coordinate all Federal noise programs, identify and regulate major sources of noise, require labeling of noisy products, make regulatory proposals to the Federal Aviation Administration for control of aircraft/



Auditors monitoring noise level of Concord Super Sonic Aircraft.

airport noise, and assess the status of Federal noise research.

We reported to the Congress that implementation of the Noise Control Act had been slow and ineffective and that Federal noise research had decreased since the act was passed. Also, (1) the Environmental Protection Agency had not finalized its noise control strategy, (2) it had made little progress in labeling noisy products, (3) it had failed to effectively coordinate and assess Federal noise research activities, and (4) fundamental differences of philosophy on how best to

control aircraft noise had obstructed progress in issuing final aviation-noise control regulations.

We recommended that the appropriate congressional committees hold hearings to evaluate past performance and provide guidance for future activities of the Federal noise control program. We also recommended that the agency develop a comprehensive strategy for implementing the act.

The Environmental Protection Agency and the Federal Aviation Administration agreed with our recommendations and with the need for oversight hearings.

COMMUNITY AND ECONOMIC DEVELOPMENT

During April 1977 we testified before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, and the Subcommittee on Transportation and Commerce, House Committee on Interstate and Foreign Commerce, on the Environmental Protection Agency's implementation of the Noise Control Act. (CED-77-42, Mar. 7, 1977.)

Better Use of Mileage Information Could Lower Gas Consumption

We reported to the Congress that new-car buyers aware of the Federal gas mileage guide had experienced much larger increases in gas mileages than buyers not aware of the guide. If more Americans knew of the guide and how to use it effectively, millions of barrels of petroleum could be saved annually. We recommended earlier distribution of the guide and the use of a commercial advertising campaign, on a pilot basis, to promote the use of the guide.

The Environmental Protection Agency agreed with our comments and said it would examine alternatives for getting gas mileage information to the public at an earlier date. The Federal Energy Administration said it had started evaluating the total advertising program. (CED-77-107, Aug. 10, 1977.)

Department of Agriculture

The Department of Agriculture (1) strengthens the agricultural economy through food and fiber production, marketing, and research, (2) improves nutrition through family food assistance, child nutrition program, and nutrition research and education, (3) protects the environment through land, water, and forest conservation, and (4) makes rural areas a better place to live and work through rural development and extension. In fiscal year 1977, the Department had about 20 constituent agencies and more than 80,000 employees, with appropriations of about \$14 billion.

Soil Conservation Needs Attention

The Department provides technical and financial assistance—costing several hundred million dollars annually—to help farmers control erosion and preserve topsoil. We reported to the Congress that these programs had not firmly established enduring soil conservation practices or reduced erosion to tolerable levels.

We recommended that:

- The Soil Conservation Service realine its priorities, seek and help farmers who have critical erosion problems, and provide the necessary followup assistance.
- The Agricultural Stabilization and Conservation Service redirect its agricultural conservation program to give priority to funding critically needed conservation practices which farmers ordinarily would not undertake without Federal cost sharing.
- The Department better coordinate its agencies' programs to provide consistent advice and assistance to farmers on soil conservation.
- The Congress clarify the types of practices the agricultural conservation program should fund.

Department officials informed us in June 1977 of a number of actions being taken or planned to implement our recommendations. Also, the Food and Agriculture Act of 1977 amended the agricultural conservation program's authorizing legislation to specify that farmers receive financial assistance for correcting conservation or environmental problems that reduce the productive capacity of land and water or that degrade the environment. (CED-77-30, Feb. 14, 1977.)

New Approach to Controlling Crop Surpluses

During crop years 1971-73, the Commodity Credit Corporation paid farmers \$7.6 billion to set aside, i.e., not to farm, cropland. The purpose of these payments was to prevent excessive supplies of wheat, feed grains, and cotton from accumulating. This measure was only partly effective, primarily because some cropland that would have been set aside anyway (placed in summer fallow) as a normal farming practice was allowed to qualify for Federal payments. About \$800 million was paid for setting aside wheat land that would not have been farmed anyway.

In a report to the Congress, we recommended that the Secretary of Agriculture develop a legislative and administrative proposal to better control production of crops that may become too plentiful. The Secretary submitted a legislative proposal that was consistent with our recommendation. The Food and Agriculture Act of 1977 provided for a set-aside program based on a percentage of the current year's planted acreage and requires that the acreage normally planted with designated crops be reduced by the amount of the set-aside. In August, the Agriculture Department announced a new set-aside for wheat. Farmers will not be paid for this set-aside, but if they do not comply they will become ineligible for other subsidies. (CED-77-57, Apr. 25, 1977.)

Problems With Overpayments in the Food Stamp Program

Confusion, local administrative errors, and fraud were costing the Federal Government over half a billion dollars annually in overissued food stamps. We reported to the Congress that for every \$100 of the more than \$5 billion a year in food stamp benefits issued nationally, \$12 should not have been issued and only about 12 cents of this \$12 was recovered.

The eight local projects we reviewed were doing little to identify and recover the value of overissuances. Five had classified about half the dollar value of their overissuances as involving suspected fraud by recipients, but very few recipients had been prosecuted or otherwise penalized. The courts were already clogged with more serious criminal cases, and most prosecutors have been reluctant to pursue suspected fraud cases.

We recommended that, to maintain some semblance of integrity in the food stamp program:

- The Congress authorize the Secretary of Agriculture to (1) allow the States to keep some portion of the money recovered from recipients and (2) increase from 50 to 75 percent the Federal share of the administrative costs associated with processing suspected fraud cases.
- The Congress authorize the Department of Agriculture, in consultation with the Department of Justice, to handle most fraud cases administratively rather than referring them for criminal prosecution.
- The Department of Agriculture take a number of administrative steps to make sure that States discover and recover overissuances and punish people who commit fraud.

The Department of Agriculture agreed that proper actions to recover overissuances and punish fraud were being neglected, and it said it was committed to more vigorous action.

The Department of Justice said the recommendation that the majority of food stamp recipient cases be handled administratively reflected a realistic assessment of the judicial system's limited resources at both the State and Federal levels.

The Food and Agriculture Act of 1977 (1) authorized the Secretary to pay the States not less than 75 percent of the administrative costs associated with investigating and prosecuting fraud, (2) authorized the Secretary to delegate to State agencies the power to administratively settle and adjust claims arising from overissuances, and (3) provided for disqualifying, for specific periods, individuals found by a State or court to have fraudulently acquired food stamps. (CED-77-112, July 18, 1977, and CED-77-112a, Aug. 31, 1977.)

Improving the Management of Agricultural Research

The agricultural research system is highly diversified; each of the many Federal and State agencies involved acts independently in deciding on research. Although the system has made major contributions to the Nation's well-being, some overall policies, objectives, and priorities must be established and kept up to date if the system is to respond to future needs and if limited funds are to be wisely used.

We recommended in our report to the Chairman, Joint Economic Committee, that the Secretary of Agriculture take necessary steps to develop and maintain a national agricultural research plan. The Department agreed that improvements were needed in long-range planning but did not take a position on this recommendation.

The Food and Agriculture Act of 1977 established within the Department a Joint Council on Food and Agricultural Sciences responsible for developing current and long-range needs, priorities, and goals. The act also required the Secretary to report to the President and the Congress by February 1 of each year on the Nation's agricultural research, extension, and teaching activities. Each annual report after the first is to include a 5-year projection of national priorities for agricultural research, extension, and teaching.

We also reported that the Department's Agricultural Research Service, the largest research organization in the Federal-State agricultural research system, needed to improve its management of research. The Department agreed and outlined corrective actions the Service was taking. (CED-77-121, Aug. 23, 1977.)

Farmers Home Administration's Business and Industrial Loan Program Can Be Improved

The business and industrial loan program, initially carried out during harsh economic conditions, has helped rural areas by saving or creating jobs. We reported to the Congress that several problems needed management attention and that the Administration should measure and report program accomplishments more accurately, assess proposed loans better, improve loan servicing and management assistance to borrowers, and increase its personnel and their qualifications.

The Administration agreed that general improvements were needed in the loan program and cited actions taken and planned. It disagreed, however, with some of our specific recommendations. (CED-77-126, Sept. 30, 1977.)

Testimony at Hearings

We testified on March 23, 1977, before the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor, on our recommendations for administrative and legislative changes to the summer food-service program for children. (CED-77-59, Apr. 15, 1977, and RED-75-336, Feb. 14, 1975.)

On September 30, 1977, we testified before the Senate Select Committee on Nutrition and Human Needs on several aspects of the national school lunch program, including compliance with nutrition standards and quantitative requirements, microbiological quality and safety, and food waste. (CED-77-32, Jan. 31, 1977; CED-77-89, June 15, 1977; PAD-77-6, July 26, 1977; and CED-77-118, Sept. 16, 1977.)

Audit Work in Process

At September 30, 1977, we were reviewing (1) issues and problems in Forest Service timber management planning, (2) the effectiveness of forest treatment measures in improving timber growth and quality in national forests, (3) past and present factors affecting food prices, (4) the need for continuous inspection at certain meat and poultry processing plants, (5) implementation of the Grain Standards Act of 1976, (6) the relationship of the food stamp program to other food assistance programs, (7) food stamp issuances under disaster relief provisions, (8) the use of prime agricultural lands for nonagricultural purposes, (9) the effectiveness of the Farmers Home Administration's water and waste disposal programs, and (10) the emergency disaster and livestock credit programs.

Department of the Army, Corps of Engineers (Civil Functions)

The Corps of Engineers' civil works programs include those designed to improve national waterways and preserve bodies of water as natural resources. Corps efforts also cover navigation, flood damage prevention, hydroelectric power production, water supply, shore preservation, estuaries, and recreational projects. The Corps received about \$2½ billion in congressional appropriations for fiscal year 1977 and employed about 28,650 full-time and 4,400 part-time staff to carry out its civil functions.

Slow Progress in Promoting Nationwide Dam Safety

We reported to the Congress that many provisions of the National Dam Inspection Act of 1972 (Public Law 90-367) either had not been implemented or had been inadequately developed. The Department of the Army had not requested enough money from the Congress to inspect dams, the Corps of Engineers' dam inventory was inadequate and incomplete and sufficient information had not been collected to design a comprehensive national dam safety program.

We recommended that the Congress direct the Corps to supplement its November 1976 recommendations to the Congress for a dam safety program with (1) information based on actual inspections of a statistical sampling of dams, (2) verified inventory data, (3) information on whether and what Federal participation is needed, including estimates of inspection and remedial action costs and of the availability of non-Federal funds, and (4) full consideration of alternatives with realistic cost estimates.

We also recommended that before deciding on a dam safety program requiring Federal participation, the Congress be assured the program includes (1) an accurate dam inventory, (2) mandatory inspection criteria, (3) remedial measures for unsafe dams, (4) Federal or State monitoring, and (5) such safety precautions as better warning systems, zoning laws, and public education. (CED-77-94, June 29, 1977.)

Audit Work in Process

At September 30, 1976, we were reviewing (1) ways to better use municipal and industrial water supplies, (2) the methodology and practices used in analyzing costs and benefits of water resources projects, (3) the time required to build flood control projects, (4) the Corps' regulatory program, (5) plans and programs to meet competing water needs in the Colorado River Basin, (6) alternatives to authorizing water resources projects on an individual basis, and (7) procedures for presenting alternatives when water resources projects are considered for authorization.

Department of Commerce

The Department of Commerce aids the Nation's economic development and technological advancement by promoting progressive business policies and growth; assisting in the development of economically underdeveloped areas, thereby strengthening the international economic position of the United States; improving man's understanding of the Earth's physical en-

vironment; assuring effective use and growth of the Nation's scientific and technical resources; promoting a sound U.S. merchant marine; and assisting in the growth of minority businesses.

During fiscal year 1977, the Department had about 37,000 employees and incurred obligations of about \$8.1 billion. A \$6 billion increase over the previous year's spending was attributable to title I of the Public Works Employment Act of 1976, as amended, which authorized grants primarily to local governments for public works projects to stimulate the national economy and to reduce unemployment.

Problems in the Local Public Works Program

We reported to the Chairmen, Senate Committee on Public Works and House Committee on Public Works and Transportation, on our observations of certain aspects of the local public works program authorized by title I of the Public Works Employment Act of 1976 and administered by the Economic Development Administration. The review was requested by 75 Members of Congress who were concerned about problems in allocating program funds and selecting projects. The report summarized information on those problems and discussed alternative proposals to deal with them. (CED-77-48, Feb. 23, 1977.)

Ship Financing Program Difficulties

At the request of the Chairman, House Committee on Government Operations, we reported on certain management weaknesses and other aspects of the title XI ship financing program administered by the Maritime Administration.

The program was having numerous difficulties:

- Income had been reduced by late collection of guarantee fees.
- Not all required annual recertifications that vessels are owned and operated by U.S. citizens had been submitted.
- Delays in processing applications had caused applicants to incur excess interest costs.
- Title XI documentation requirements were a disincentive to applicants and could be improved.
- Because demand for guarantees had exceeded the authorized ceiling, the agency had limited its refinancing guarantees to those applications involving either a reasonable amount of new vessel construction or an applicant whose financial viability depended directly on the refinancing.

We recommended that the Secretary of Commerce direct the Maritime Administration to

- penalize companies whose payments are overdue,
- comply with the citizenship recertification requirement, and
- shorten its application process.

We also recommended that the Secretary of Commerce inform the Congress that the authorized \$7 billion ceiling is inadequate to cover all guarantee demands and suggest to the Congress a ceiling compatible with both industry and Federal maritime policy needs. Program officials generally agreed with our findings and recommendations. (CED-77-68, May 16, 1977.)

Changes in the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities

Between fiscal years 1966 and 1975 the Economic Development Administration approved grants of \$1.4 billion to construct 2,800 public works and developmental projects. These projects, authorized by title I of the Public Works and Economic Development Act of 1966, were to assist chronically depressed areas suffering from high unemployment. Construction was to start within 1 year after a project was approved; however, 54 percent of the approved projects were delayed more than a year and 20 projects approved more than 5 years earlier had yet to be started. While millions of dollars remained obligated to delayed projects, other projects had not been approved for lack of funds.

The underlying reason for project delays was the agency's policy of approving projects on the basis of preliminary engineering and financial plans, which were usually not well defined, so that poor communities would not have to incur the high costs of designing projects before they were assured of Federal participation. We recommended that the Congress amend title I of the Public Works and Economic Development Act to permit the Economic Development Administration to fund projects in two steps—one for design and one for construction—and that future public works appropriations be available for obligation for 2 fiscal years. The Economic Development Administration agreed with our recommendations. (CED-77-86, July 7, 1977.)

Strengthening the U.S. Fishing Industry

At the joint request of the Chairmen and Ranking Minority Members of the House Committee on Merchant Marine and Fisheries and its Subcommittee on Fisheries and Wildlife Conservation and the Environment, we reported to the Congress on the condition of marine fisheries and their future.

COMMUNITY AND ECONOMIC DEVELOPMENT

The United States has almost one-fifth of the world's marine fish resources within 200 miles of its coastlines. With such abundant resources, the U.S. fishing industry might be expected to be strong and prosperous. However, while in 1956 the United States had ranked as the second largest fishing country in the world, it had dropped to fifth by 1974. Imports of edible fish had increased to 62 percent of the total U.S. demand.

Because Public Law 94-265, which provides a framework and opportunities for the Government to assist the U.S. fishing industry, did not become effective until after we issued our report, we could not assess its impact. We did, however, suggest actions to strengthen the Federal role in assisting the industry.

The U.S. commercial fishing industry could be strengthened by (1) expanding aquaculture (fish farming), (2) restoring fish stocks through effective management and improvement of the environment, (3) developing underutilized species, and (4) displacing foreign fishing off the U.S. coasts. (CED-76-130, Dec. 23, 1976.)

A report on the Great Lakes commercial fishing industry pointed out that its chances of expanding were small. In addition to the problem of contamination, commercial fishermen face (1) States' unwillingness to increase their limits and (2) strong competition from expanding recreational fishing. (CED-77-96, Sept. 30, 1977.)

Audit Work in Process

Audit work in process at September 30, 1977, concerned the administration of the cargo preference program; issues and problems of American ports; the allocation of funds and the start of construction of projects under the local public works program; financial assistance to firms under the Trade Act of 1974; the effectiveness and management of the minority business program; Agriculture's weather service program; the Outer Continental Shelf environmental assessment program; use of the Nation's ocean research fleet; the need for sea lanes; the national drought problem; the U.S. fishing industry; and the metric system.

Department of Housing and Urban Development

The Department of Housing and Urban Development administers programs related to (1) housing production and mortgage credit, (2) housing management, and (3) community planning and development. During fiscal year 1977, the Department had about

15,570 employees and received appropriations totaling about \$10.7 billion.

Why the Formula for Allocating Community Development Block Grant Funds Should Be Improved

Under the block grant program established by the Housing and Community Development Act of 1974, funds are to be allocated objectively according to a "needs formula" with three variables: population, overcrowded housing, and the extent of poverty. We reported to the Congress that:

- The formula did not recognize geographic cost-of-living differences in determining poverty levels, and considering such differences, as the act permits, would allocate funds more equitably.
- Although the act requires the use of the most recent data for each of the three variables, only population can presently be updated between censuses, and updating this one variable will cause funds to be shifted from the poorer central cities to the wealthier suburban areas.
- The act provides that standard metropolitan statistical areas receive 80 percent of the funds allocated, whereas the information used by the Department of Housing and Urban Development in its fiscal year 1975 allocations reflected a 66/34-percent split between metropolitan areas and others in terms of population, poverty, and overcrowded housing.
- Although double-weighting poverty in the formula generally provides more funds to cities with high concentrations of poverty than to cities with low concentrations of poverty, many cities with much poverty received less funds than they would have received if poverty had been weighted once instead of twice.

We recommended that the Congress

1. require using the latest census as the source of data for all three formula variables until methods can be established to update the three variables together, and direct the Secretary of Housing and Urban Development to develop feasible methods of updating the poverty and overcrowded housing variables,
2. change the allocation between metropolitan areas and others to more closely approximate the actual distribution in demographic values, and
3. revise the formula so that areas with higher poverty ratios will receive the most funding.

We also recommended that the Secretary, with the assistance of the Bureaus of Labor Statistics and the

Census, revise the methodology used to allocate block grant funds to recognize variations in the cost of living.

The Department agreed generally with our recommendations. Its study of the allocation provisions of the block grant program culminated in the introduction of legislation to amend the allocation provisions of the program as suggested in our report. (CED-77-2, Dec. 6, 1976.)

Major Changes Needed in the New Leased-housing Program

The section 8 leased-housing program—the principal Federal program for housing low-income persons since 1974—has not provided housing to as many low-income persons or stimulated as much new housing as anticipated. The program has been hindered because:

1. Developers, owners, and public housing agencies have been reluctant to participate.
2. Rents allowed owners may be too low for program success.
3. Developers and State housing agencies have been unable to obtain suitable financing for constructing or rehabilitating housing units.
4. Program requirements may be too complex for low-income people and developers.
5. Field offices were inadequately staffed and funds were sometimes allocated to communities in a questionable manner.

In our report to the Congress, we made several recommendations to the Secretary for improving the program. The Department agreed to most of them.

We suggested that the Congress consider the appropriateness of the Department's policy of permitting families with children to live in high-rise buildings despite statutory provisions discouraging this practice. (CED-77-19, Jan. 28, 1977.)

Environmental Reviews by Communities: Are They Needed? Are They Adequate?

Communities are wasting time and money on environmental reviews of minor projects which have little effect on the environment. We estimated the total cost of environmental reviews to be about \$14 million in the 3,044 communities receiving grants during the first year of the community development block grant program. We examined 26 communities, which spent about \$214,000 on 450 environmental reviews. About 54 percent of these reviews may have been unnecessary.

We recommended in our report to the Congress that the Department of Housing and Urban Development (1) work with the Council on Environmental Quality

to identify, and exempt from review, those insignificant types of projects which do not need environmental reviews, (2) clarify and expand its procedures, particularly regarding the scope of environmental reviews required, (3) establish a mandatory environmental review format, (4) emphasize training of community environmentalists, and (5) revise its monitoring procedures to evaluate communities' environmental reviews in depth. The agencies involved generally agreed with our recommendations, and the Department planned major revisions of environmental procedures. (CED-77-123, Sept. 1, 1977.)

Testimony at Hearings

In April 1977, we testified before the Subcommittee on Government Efficiency and the District of Columbia, Senate Committee on Governmental Affairs, on weaknesses in financial controls of the National Flood Insurance Program and before the Subcommittee on Manpower and Housing, House Committee on Government Operations, on the need to treat homeowner claims of defects in existing insured homes more fairly.

Audit Work in Process

Audit work in process at September 30, 1977, included reviews of the Department of Housing and Urban Development's multifamily project insurance underwriting, housing abandonment in cities, the revised section 235 homeownership program, the Government National Mortgage Association's emergency home purchase program, the Department of Defense's family housing program, and the Federal Housing Administration's financial statements.

Department of the Interior

The Department of the Interior administers over 500 million acres of Federal land and has trust responsibility for approximately 50 million acres of land, mostly Indian reservations. The Department's activities include conserving and developing mineral and water resources, promoting mine safety and efficiency, conserving and developing fish and wildlife resources, coordinating Federal and State recreation programs, and preserving and administering the Nation's scenic, historic, and recreational areas. The Department is also responsible for the socioeconomic development of the territories of the United States and of the Trust Territory of the Pacific Islands and for the administration of services to American Native peoples.

During fiscal year 1977, the Department's 21 agencies had a work force of about 61,600 and a budget of about \$3.3 billion.



GAO auditors and federal mine inspectors discuss proper grounding of a trouble light.

Accident Rates Still Unacceptably High in Mines

The Federal Metal and Nonmetallic Mine Safety Act was enacted in 1966 to eliminate or greatly reduce the number of occupational fatalities, injuries, and illnesses in mining operations which produce non-fuel mineral commodities. The Senate Committee on Labor and Public Welfare (now the Senate Committee on Human Resources) asked us for a comprehensive review of Interior's administration of the act.

We reported to the Congress that the industry's safety record had improved little since the legislation was enacted. We made numerous recommendations to the Department for improving (1) the reporting and analysis of occupational accidents, injuries, and illnesses, (2) health and safety standards and ways in which they are published and enforced, (3) education and training programs for the industry, (4) the identification of research needs and the transfer of results to mine operators, and (5) special programs for high-injury mines.

The Department agreed with our recommendations and said some had been implemented. It added that our review prompted improvements in its noncoal-mine health and safety program, and it anticipated that our report would be valuable to its program.

Because most of the mines we visited continued to be cited repeatedly for violating standards on the same types of hazards, we recommended that the Congress grant the agency additional enforcement authority. We also recommended that the Congress enact legislation to clarify the intended scope of research efforts.

Low funding and budget priorities had hampered the Bureau of Mines' noncoal-mine health and safety research program. The purpose of this program is to develop technology which will help the Mining Enforcement and Safety Administration develop and enforce standards and provide technical assistance to the industry in complying with the standards. According to the Department, the research program has a low funding priority because it has no specific legislative mandate or funding limit, unlike research for coal mines, to which substantially more funds have been committed.

The Federal Mine Enforcement Safety and Health Amendments Act of 1977 was approved November 9, to strengthen Federal monitoring of mine health and safety; it applies to all mines. This act implemented our recommendations to the Congress and should help correct some of the other problems identified in our report. (CED-77-103, July 26, 1977.)

Public Rangelands Continue To Deteriorate

The Secretary of the Interior, through the Bureau of Land Management, administers approximately 171 million acres of national resource lands (public lands), most of which are in the Western States. Livestock grazing is authorized by the Bureau on about 150 million of these acres.

We reported to the Congress that the Nation's public rangelands have been deteriorating for years, principally because of poorly managed livestock grazing. These lands need to be protected through more aggressive and effective management by the Bureau.

Responding to our recommendations to minimize further damage, the Department stated that:

- It was implementing new evaluation procedures which should help insure that Bureau field managers update land management plans as instructed and take measures to discontinue destructive grazing on lands where implementation of management plans is pending.
- It planned to develop and include in its annual report to the Congress information on how insufficient staffing was impairing the Bureau's range management program and other programs conducted under the Federal Land Policy and Management Act of 1976.
- It would instruct Bureau field managers to encourage livestock raisers to contribute funds for installing and maintaining range improvements (such as fences, cattleguards, and waterholes) that are consistent with land use planning and environmental requirements.

Also, the Bureau had rarely suspended, reduced, or revoked grazing privileges for violation of grazing regulations, although it was authorized to do so. Certain requirements in regulations, such as proving to a hearings officer that violations were willful and resulted in damage to the land, made it extremely difficult for the Bureau to enforce regulations designed to protect the land. The Bureau has proposed revisions to its regulations which would give field managers the authority to assess penalties without a hearing, while preserving the violator's right to appeal the decision and obtain a hearing. The Bureau expects the revised regulations to become effective by March 1, 1978. (CED-77-88, July 5, 1977.)

Testimony at Hearings

On December 9, 1976, we testified before the Subcommittee on Energy and Environment, House Committee on Small Business, on concessions management by the National Park Service. We discussed the actions

taken or planned by Interior to implement the recommendations contained in the March 3, 1976, Joint Report of the House Committees on Government Operations and Small Business.

In June 1977 we testified before the Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, on our reports entitled "Actions Needed To Increase the Safety of Dams Built by the Bureau of Reclamation and the Corps of Engineers" (CED-77-85, June 3, 1977) and "Slow Progress in Developing and Implementing a National Dam Safety Program" (CED-77-94, June 29, 1977).

Audit Work in Process

Audit work in process as of September 30, 1977, included reviews of (1) the effectiveness of title I of the Indian Self-Determination Act, (2) problems in developing a national wild and scenic rivers system, (3) Federal efforts to control mine subsidence, and (4) various aspects of the Bureau of Indian Affairs' operations. We were also reviewing the effectiveness of water resources planning and summarizing all reports issued by GAO which affect water conservation. Finally, we were participating in a task force established by the Congress to review the management, organization, and operations of the San Luis unit water project in California.

Department of Transportation

The Department of Transportation develops national transportation policies and programs which contribute to fast, safe, efficient, and convenient transportation at the lowest cost. The Department's eight agencies have jurisdiction over highway planning, development, and construction; urban mass transit; railroads; aviation; and the safety of waterways, ports, highways, and oil and gas pipelines. In fiscal year 1977, the Department employed about 110,000 people, including about 37,000 military personnel in the U.S. Coast Guard, and had an estimated budget outlay of \$12.8 billion.

Management Actions Needed To Improve Federal Highway Safety Programs

The Highway Safety Act of 1966 required States to establish systematic procedures for selecting safety construction projects. We reported to the Congress on eight States' progress in developing systematic approaches to identify hazardous locations, determine the most hazardous ones, and select cost-effective projects.

COMMUNITY AND ECONOMIC DEVELOPMENT

None of these States had a fully implemented project selection system or definitive plans for achieving one.

Thus, neither the Federal Highway Administration nor the States had assurance that funds were spent on projects offering the greatest benefits. We made several recommendations to the Secretary of Transportation, including that he direct the Federal Highway Administration to determine, in cooperation with each State, (1) the actions necessary to complete an adequate project selection system and (2) a time frame for completing these actions.

The Department generally agreed with our recommendations. It reported that the Administration had taken steps to obtain additional information on each State's safety program management efforts and would continue to work with the States in developing a system for selecting highway improvements, including establishing time frames for accomplishing this objective. (CED-76-156, Oct. 21, 1976.)

The Federal Aviation Administration Should Do More To Detect Civilian Pilots Having Medical Problems

The safety of more than 200 million aircraft passengers each year depends largely on the medical fitness of the pilot and crew. To promote flight safety, the Federal Aviation Administration prescribes medical standards for airmen.

We reported to the Congress that (1) the Administration's medical examination procedures do not identify all airmen who are medically unfit, although additional medical screening techniques which could detect pilot impairment are available, (2) more extensive medical screening is required of air traffic controllers, military pilots, and those adhering to international standards than of civilian pilots, (3) the Administration generally has not enforced its regulations which prohibit airlines from using airmen they know do not meet the Federal medical requirements, and (4) other sources of information are available which could further help identify medically unfit airmen.

We recommended that the Federal Aviation Administration evaluate the recommendations of the various medical studies urging more extensive medical screening, conform to international medical standards as closely as possible, and enforce existing regulations requiring airlines not to use airmen they know do not meet Federal medical standards. The Department stated that it would take action on these recommendations.

We also recommended that, to improve the identification of medically unfit airmen, the Congress au-

thorize the Secretary of Transportation to furnish the Administration with motor vehicle driver data, which the Department maintains, on individual applicants for medical certification. (CED-76-154, Nov. 3, 1976.)

Speed Limit 55—Is It Achievable?

The national 55-mile-per-hour speed limit law was established to conserve fuel and improve safety. Since it has been widely praised and condemned, we wanted to know how much speed, fuel consumption, and deaths have dropped and what improvements might be necessary.

We reported that: (1) average speeds had dropped about 5 mph, to just over 55 mph, but speeds were increasing; (2) although safety and fuel savings attributable to the speed limit could not be precisely calculated, there had been some improvement in both factors; (3) Federal public information efforts to promote slower speeds had received limited acceptance; (4) although States had to certify that they were enforcing the speed limit, there was no uniform definition of enforcement or criteria regarding how much State effort is enough; and (5) the only legal tool available to the Secretary of Transportation to encourage States to reduce speeds was unrealistic and potentially counterproductive.

We recommended that the Secretary of Transportation establish criteria to evaluate State speed reduction efforts and improve Federal public information programs. The Secretary of Transportation generally concurred with our findings and recommendations. We also recommended that the Congress replace the current sanction provisions with positive incentives or variable sanctions. (CED-77-27, Feb. 14, 1977.)

The Federal Motor Carrier Safety Program: Not Yet Achieving What the Congress Wanted

Highway safety has increased since 1966. But by 1977 the Federal motor carrier safety program had not improved as much as the Congress wanted. We reported to the Congress that, in view of the limited accident data obtained by the Bureau of Motor Carrier Safety, the continuing infrequency of safety inspections, and the high ratio of trucks taken out of service after inspection, little assurance existed that most motor carriers were complying with Federal safety regulations.

To improve the management and effectiveness of the motor carrier safety program, we recommended that the Federal Highway Administrator: (1) identify motor carriers most in need of safety surveys, (2) es-

establish procedures for developing enforcement cases to insure that cases will be uniformly and adequately prepared, (3) reduce the delays in the Bureau's civil penalty processing time, (4) instruct Bureau regional directors and regional counsels to negotiate maximum civil penalties to encourage greater compliance with safety regulations, (5) take stronger enforcement actions against carriers and drivers who fail to prepare or properly maintain driver logs, and (6) use road check, safety survey, and accident reports provided by the States when formulating work schedules and rely on State reports as much as possible.

The Department agreed with our recommendations and initiated corrective actions.

We recommended that the Congress amend the 1935 Motor Carrier Act to provide the Bureau with additional authority to assess civil penalties for all violations by all carriers who are now subject to the motor carrier safety regulations and to increase maximum fines and penalties for both civil and criminal violations. We also recommended that, if the Congress wants the Federal motor carrier safety program improved to the level envisioned in 1966, it should take action to strengthen the program. (CED-77-62, May 16, 1977.)

Total Costs Resulting From Two Major Oil Spills

At the request of the Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, we estimated the total costs associated with two oil spills that occurred during 1976.

The 250,000 gallons of oil spilled when a barge sank in the lower Chesapeake Bay in February 1976 resulted in about \$1.3 million in damages, losses, and cleanup expenses. Total costs of \$5.2 million resulted from the 7.5 million gallons of oil spilled when the *Argo Merchant* ran aground and later sank off the coast of Massachusetts in December 1976.

We reported that the long-term environmental effects had not been determined and that a monetary value could not be placed on certain aspects of the environment affected by the spills. (CED-77-71, June 1, 1977.)

Effective Fuel Conservation Programs Could Save Millions of Gallons of Aviation Fuel

Aviation fuel conservation has not received the attention it deserves. The Federal Government needs to do more. We reported to the Congress that the Federal

Aviation Administration needed to (1) monitor its fuel conservation programs, (2) hold all aircraft on the ground to the extent possible when excessive delays are encountered at destination airports, and (3) develop guidance for evaluating trade-offs between noise abatement and fuel conservation objectives when conflicts occur.

We also reported that congressional action was needed to reduce the fuel consumed because of empty seats—about 4.2 billion gallons in 1976.

The Department stated that (1) establishing a monitoring and reporting system for its fuel conservation procedures was beyond its role in fuel conservation, (2) it had no basis to dictate airlines' delays, and (3) it recognized the need to study noise abatement/fuel conservation trade-offs, as evidenced by actions it already had underway. We continue to believe the agency should establish a monitoring system and that it has sufficient authority to require airlines to take ground delays. (CED-77-98, Aug. 15, 1977.)

Presentation to Congressional Commission

In November 1976 our transportation program coordinator gave a presentation to the National Transportation Policy Study Commission on alternative plans of study, staff structure, and organization for the Commission. This Commission, consisting of 12 Members of Congress and 7 members of the public, was established by the Federal-Aid Highway Act of 1976 to study U.S. transportation policies and needs and make recommendations.

Audit Work in Process

Audit work in process as of September 30, 1977, included reviews of (1) the Department's and State agencies' progress in intermodal transportation planning, (2) the hindrances to coordinating transportation of people participating in federally funded grant programs, (3) the Coast Guard's preparedness for responding to oil spills, (4) the effectiveness of motor vehicle inspections, (5) the management of the Alaska Railroad, and (6) the Federal Aviation Administration's second-career training program for disabled or disqualified air traffic controllers.

Civil Aeronautics Board

The Civil Aeronautics Board promotes and regulates the air transport industry. In fiscal year 1977, the Board had about 800 employees and an estimated budget outlay of \$102.4 million to carry out its functions,

COMMUNITY AND ECONOMIC DEVELOPMENT

which include licensing air transportation services, approving rates and fares, and approving agreements and corporate relationships involving air carriers.

Lower Airline Costs Per Passenger Are Possible in the United States and Could Result in Lower Fares

Airlines in the United States regulated by the Civil Aeronautics Board could have operated at a lower cost per passenger from 1969 to 1974, and passenger fares could have been lower as a result. We estimated that travelers could have saved over a billion dollars annually if regulated airlines had operated with characteristics of less regulated airlines.

We recommended that (1) the Board work toward improving airline efficiency under existing legislation and (2) the Congress provide the Board legislative guidance defining national objectives for air transportation and the extent to which competition should be increased to achieve those objectives. The Board generally agreed with our recommendations, and legislation has been introduced to provide for the regulatory reforms suggested. (CED-77-34, Feb. 18, 1977.)

Audit Work in Process

As of September 30, 1977, we were reviewing the Board's enforcement activities and its handling of consumer complaints.

Environmental Protection Agency

The Environmental Protection Agency protects and enhances the Nation's environment by conducting research, establishing and enforcing environmental protection standards, and providing funds for States and municipalities to construct sewage treatment plants. It also underwrites the administrative costs of local pollution control agencies and helps finance the cost of local planning for pollution abatement and control.

During fiscal year 1977, the Agency spent \$8.5 billion and employed a staff of about 9,800 to administer programs related to water, air, solid waste, pesticides, resource recovery, toxic substances, noise, and radiation.

Health Monitoring Needed for Laboratory Employees

We reported to the Congress that the Environmental Protection Agency lacked an agencywide program for monitoring the health of laboratory personnel, many of whom could be exposed daily to harmful

substances. Of the 1,329 employees at laboratories we visited, 778 were acknowledged to be potentially exposed to hazardous and toxic substances. On occasion, laboratory staff had experienced various ill effects. One laboratory had many health hazards. At our request, the Agency closed the laboratory after declaring the employees in imminent danger.

We recommended, and the Environmental Protection Agency agreed to, giving priority to establishing an agencywide health-monitoring program which would include inspections of all laboratories and health surveys of all laboratory employees. The agency said it was firmly committed to a strong and effective health and safety program. (CED-76-160, Oct. 8, 1976.)

Better Data Collection and Planning Is Needed To Justify Advanced Waste Treatment Construction

The Environmental Protection Agency had given low priority to gathering data on types, extent, and sources of pollution and to preparing comprehensive pollution abatement plans. As a result, some multi-million-dollar advanced waste-treatment facilities being constructed might not be the most effective and efficient means for achieving water quality goals.

We recommended, in a report to the Congress, that before the Agency approves grants for expensive advanced waste-treatment facilities, it makes sure that

- all water pollution control alternatives have been considered,
- adequate information has been obtained on (1) expected water quality improvements, (2) high initial capital costs and annual operation and maintenance expenses, and (3) sludge disposal problems that may result, and
- trained personnel will operate and maintain the facility.

The Agency generally agreed with our recommendations.

We recommended also that, to monitor the Agency's funding of advanced waste-treatment facilities more closely, the Congress consider having it report annually on (1) the costs and potential for water quality improvements and (2) problems and accomplishments of completed facilities in meeting their water quality objectives. (CED-77-12, Dec. 21, 1976.)

Problems and Progress in Regulating Ocean Dumping of Sewage Sludge and Industrial Wastes

The Marine Protection, Research, and Sanctuaries Act of 1972 was enacted to regulate wastes being

dumped in the ocean. Although the Environmental Protection Agency stopped many industrial dumpers and required municipal dumpers to examine alternatives to dumping sewage sludge in the ocean, dumped municipal sludge continued to increase.

Both the Environmental Protection Agency and the Coast Guard had regulatory and operational problems in curbing ocean dumping. We reported to the Congress that (1) wastes were being dumped too rapidly to be assimilated by the marine environment, (2) some wastes contained harmful substances exceeding safety levels, (3) Coast Guard surveillance of dumping was minimal, and (4) some proposed alternatives to ocean dumping might be more environmentally harmful when viewed in terms of the total environment.

We recommended that the Environmental Protection Agency (1) take a lead role in locating dumping sites which would be safe for navigation and which would not harm the marine environment and (2) consider what effect alternatives to ocean dumping would have on the total environment before phasing dumpers out of the ocean and into other areas.

We also recommended that the Coast Guard increase its ocean-dumping surveillance, including placing staff on board ships to monitor night dumping, and continue to develop new methods for monitoring compliance with ocean-dumping permits.

The Agency generally agreed with our recommendations. The Coast Guard said it was taking corrective actions. (CED-77-18, Jan. 21, 1977.)

Testimony at Hearings

We testified in September 1977 before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, on noise from the supersonic Concorde.

Audit Work in Process

Work in process at September 30, 1977, included reviews of the Environmental Protection Agency's (1) control of nonpoint sources of water pollution, (2) use and disposal of sewage sludge, (3) regulation of import and export of pesticides, (4) local financing impact of waste treatment facilities, (5) setting and monitoring of radiation standards, (6) efforts in solid waste resource recovery, (7) control of water contamination from leachate, (8) air and water pollution enforcement efforts, (9) areawide water quality planning program, (10) implementation of industrial cost recovery and user charge systems, (11) efforts to evaluate use of decentralized wastewater disposal systems, (12) implementation of the Safe Drinking Water Act,

(13) control of hazardous waste disposal, (14) progress in meeting requirements of the Noise Control Act, and (15) need for environmental impact statements for regulatory actions.

Federal Communications Commission

The Federal Communications Commission was created by the Communications Act of 1934 to regulate interstate and foreign communications by radio, television, wire, cable, and satellite. The Commission's responsibilities during fiscal year 1977 were carried out by about 2,100 employees, and its appropriations totaled about \$57 million.

Establishing a Proper Fee Schedule Under the Independent Offices Appropriation Act, 1952

As requested by the Chairmen of the Subcommittees on Communications, House Committee on Interstate and Foreign Affairs and Senate Committee on Commerce, Science and Transportation, we reviewed the Federal Communications Commission's actions since being ordered by the U.S. Court of Appeals for the District of Columbia Circuit to recalculate its 1970 and 1975 fee schedules and to refund money collected in excess of the standard permitted by the Independent Offices Appropriation Act, 1952. The Commission believed it lacked the information to comply with the court order, and 4 days later it notified the Senate and House legislative and appropriations committees that it was suspending all fee collections as of January 1, 1977.

We expressed the opinion that the court's decisions contained sufficient guidance from which a proper fee schedule could be established for services provided by Government agencies. As a result, we recommended that the Commission make a good-faith effort to recalculate its fee schedules and refund only the excess portion of the \$164 million collected in fees from 1970 through 1976. Without the Commission's attempt to establish fees using the criteria established by the courts, the validity of its or of any regulatory agency's assessing fees under the Independent Offices Appropriation Act, 1952, as interpreted by the Court of Appeals, will remain unresolved. (CED-77-70, May 6, 1977.)

The Commission subsequently disagreed with our conclusion that the Court of Appeals' decisions provided sufficient guidance to devise an acceptable fee schedule.

COMMUNITY AND ECONOMIC DEVELOPMENT

In letters dated August 4, 1977, to the House and Senate legislative and appropriations committees, we stated that we saw no reason to alter our position. In addition, we questioned the Commission's legal authority to refund all fees collected without the recalculation required by the U.S. Court of Appeals for the District of Columbia Circuit.

Audit Work in Process

Work in process at September 30, 1977, included reviews of (1) the regulatory impact of the Federal Communications Commission's broadcasting policies and (2) interagency coordination in developing international telecommunications policies and plans.

Interstate Commerce Commission

The Interstate Commerce Commission regulates interstate surface transportation, including trains, trucks, buses, inland waterway and coastal shipping, freight forwarders, oil pipelines, and express companies, to assure that rates and services are fair. During fiscal year 1977, the Commission employed about 2,100 people and had a budget outlay of about \$59 million.

Energy Conservation Competes With Regulatory Objectives for Truckers

We reported to the Congress that the Commission's measures to reduce truckers' energy use could be expanded. Congressional guidance is needed on setting priorities between energy conservation and traditional regulatory objectives: protecting existing truckers and insuring adequate services to the public. Legislation is also needed to allow intercorporate transportation if it does not otherwise conflict with the national priorities established. We also recommended that the Commission obtain enough information to determine how its energy-related decisions will affect surface transportation competition and service.

The Commission acknowledged that its energy conservation actions have been tempered by its overriding concern for preserving high-quality surface transportation service. (CED-77-79, July 8, 1977.)

Audit Work in Process

As of September 30, 1977, we were reviewing (1) the potential benefits of piggyback shipment (placing loaded truck trailers on railroad flatcars) and factors which are inhibiting its growth and (2) the effect the Commission's policies and practices for issuing tempo-

rary operating authority to motor carriers has had on meeting shippers' needs.

National Railroad Passenger Corporation

In 1970 the Congress created AMTRAK as a for-profit corporation to operate and revitalize the Nation's intercity rail passenger service. AMTRAK operates about 35 routes covering some 25,000 miles, including 4 routes that serve points in Canada and Mexico. As of 1976, AMTRAK had incurred an operational loss in every fiscal year since its first, 1972. The total Federal subsidy through September 30, 1976, amounted to \$1.2 billion.

AMTRAK's Incentive Contracts With Railroads—Considerable Cost, Few Benefits

We reported to the Congress that AMTRAK's incentive contracts with railroads to improve service, reduce costs, and increase efficiency had been so unrealistic that they served only to increase the financial burden on AMTRAK and the taxpayer. Any progress which had occurred—such as in meeting schedules—had not been due to the incentives.

AMTRAK management had recognized the serious deficiencies in contracts and had tried, in several new agreements, to structure incentives more realistically and make them contingent on actual performance.

To overcome remaining problems, we recommended that in future incentive contracts, AMTRAK

- penalize railroads for not meeting ontime performance minimums,
- use AMTRAK staff for reporting arrival times,
- measure ontime performance at major intermediate points,
- enforce penalties for unclean cars,
- replace the incentive for preventive maintenance with an incentive/penalty provision, and
- consider appropriate costs, as well as actual historical costs, in renegotiating flat rates for services.

AMTRAK generally agreed with our recommendations. It described corrective actions taken or planned, but pointed out the difficulty of negotiating some arrangements with railroads. (CED-77-67, June 8, 1977.)

Audit Work in Process

As of September 30, 1977, we were reviewing AMTRAK's development of improved service on well-traveled corridors outside the Northeast.

CHAPTER THIRTEEN

GENERAL GOVERNMENT OPERATIONS

Responsibilities

The General Government Division audits the Departments of Justice and the Treasury, the District of Columbia government, the United States Postal

Service, the judicial and legislative branches, and various other agencies and commissions. We are responsible for work pertaining to the Federal Reports Act; Federal statistical and paperwork activities; and Federal, State, and local intergovernmental relations.

The Director of the division is Victor L. Lowe, and the Deputy Director is William J. Anderson.

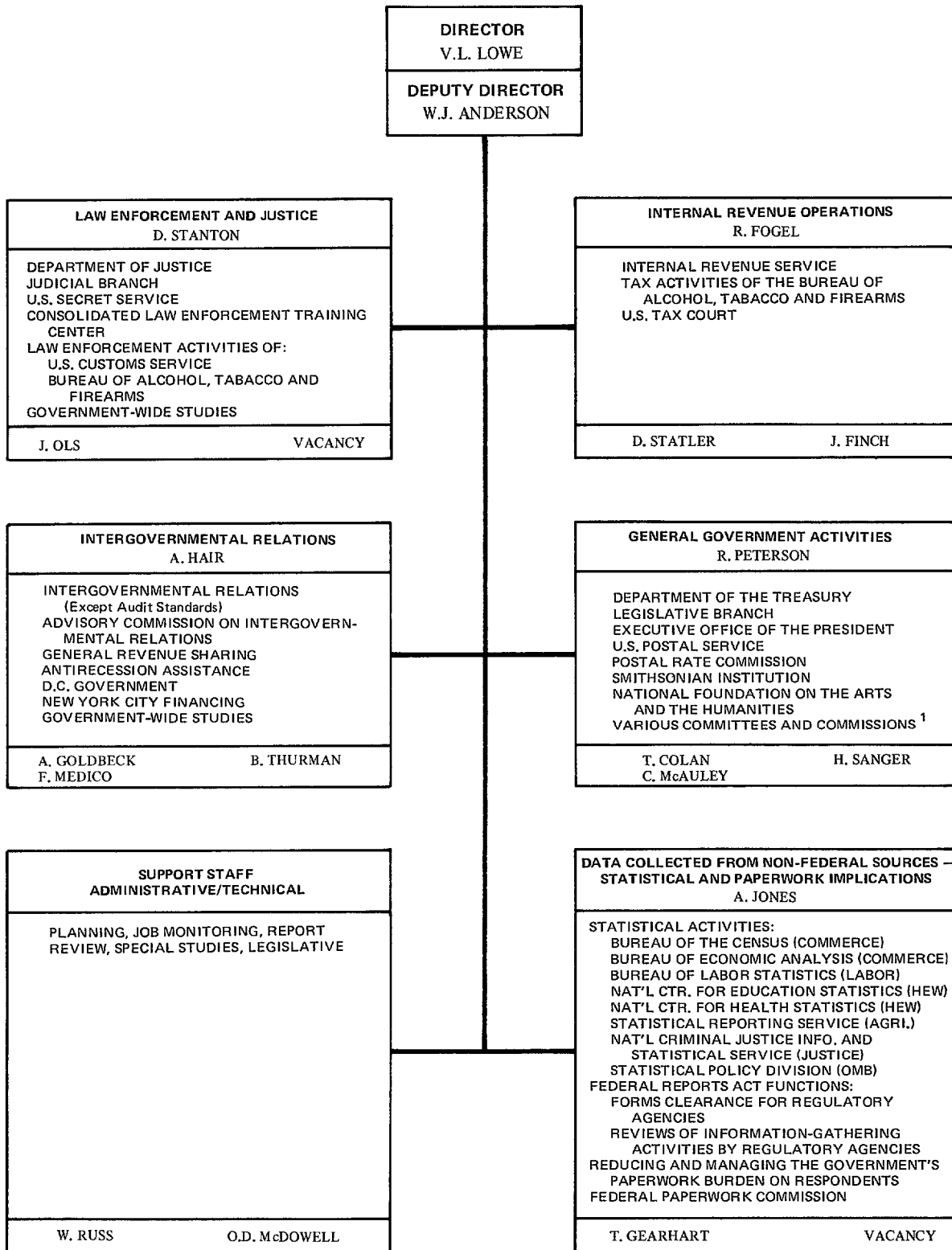
Audit Reports

During fiscal year 1977 we submitted 84 reports to the Congress, to congressional committees, to Members of Congress, and, on activities of the legislative branch, to congressional officers. We sent 19 reports to department or agency officials.

Table 1

	Reports submitted to					Total
	Congress	Congressional Committees	Members of Congress	Officers of Congress	Agency officials	
Departments:						
Commerce	1	-	-	-	-	1
Executive Office of the President	-	1	-	-	-	1
Justice	5	2	2	-	2	11
Treasury	2	2	2	-	1	7
Independent Agencies:						
Smithsonian Institution	-	2	-	-	-	2
U.S. Postal Service	-	5	14	-	6	25
Other assignments:						
Intergovernmental relations	2	1	2	-	1	6
Internal revenue operations	2	10	1	-	-	13
District of Columbia Government	1	3	1	-	6	11
Judicial branch	-	1	-	-	-	1
Legislative branch	5	6	-	6	-	17
Revenue sharing	1	-	-	-	-	1
Government statistical programs	1	-	-	-	-	1
Commissions and committees	-	-	1	-	-	1
Regulatory reports review	1	-	-	-	3	4
Intergovernmental policy and fiscal relations	1	-	-	-	-	1
Total	22	33	23	6	19	103

GENERAL GOVERNMENT OPERATIONS



¹ Committee for the Preservation of the White House, Joint Commission on Coinage, National Visitor Facilities Advisory Commission, Permanent Committee for the Oliver Wendell Holmes Devise

SEPTEMBER 30, 1977

Department of Justice

The major functions of the Department of Justice are to enforce Federal laws; represent the Government in legal matters; help State and local governments reduce crimes; confine, support, and rehabilitate Federal offenders; administer the immigration and naturalization laws relating to aliens; and control narcotics and dangerous drug abuse. The Department has about 53,000 employees, and its projected expenditures were about \$2.3 billion during fiscal year 1977.

Crime in Federal Recreation Areas

Although both the number of visitors and the incidence of crime at Federal recreation areas have increased, visitors have not been well protected. Efforts by the Bureau of Land Management, the Forest Service, the Fish and Wildlife Service, the National Park Service, the Army Corps of Engineers, and the Tennessee Valley Authority to cope with the crime problem have been impeded by limited and differing statutory authorizations, none of which authorized the agencies to enforce all Federal laws governing visitors' conduct. Visitors at many recreation areas must rely on State and local officials for assistance because Federal laws do not apply at all. This assistance depends on the local agencies' willingness and ability to respond to reported criminal activity on Federal land.

In our report to the Congress, we recommended that the Director of the Office of Management and Budget, along with the Secretaries of the Army, Agriculture, and Interior; the Attorney General; and the General Manager of the Tennessee Valley Authority develop and implement a visitor protection program which will:

- Delineate acceptable law enforcement levels.
- Establish visitor protection guidelines and standards.
- Establish information systems for top management on the seriousness and extent of crime.
- Promote competent recruiting, adequate training, and proper equipping of rangers assigned to law enforcement duties.
- Develop guidelines and procedures to be followed when contracting with State and local law enforcement agencies.

We recommended that the Congress enact legislation to untangle the legal and policy problems associated with law enforcement on visitor-oriented Federal lands. (GGD-77-28, June 21, 1977.)

War on Organized Crime Faltering

The Justice Department created Federal strike forces to coordinate an attack against organized crime nationwide. In areas of major organized-crime activity, these strike forces comprise mainly Federal investigative agency representatives and Justice Department attorneys.

We reported to the Congress that Cleveland, Detroit, Los Angeles, New Orleans, and New York (Brooklyn and Manhattan) strike forces needed to be better planned, organized, and directed. Although strike forces have obtained numerous convictions, sentences generally have been light. At the strike forces we reviewed, 52 percent of the sentences during a 4-year period did not call for confinement, and only 20 percent were for 2 years or more.

We presented detailed recommendations that pointed out the need to:

- Identify what and whom the strike forces are combating.
- Develop a national strategy for fighting organized crime.
- Centralize Federal efforts—make someone responsible for developing plans and overseeing their implementation.
- Establish a system for evaluating the national and individual strike forces' effectiveness.

(GGD-77-17, Mar. 17, 1977.)

Audit Work in Process

At September 30, 1977, we were reviewing criminal prosecution activities of U.S. attorneys' offices, the implementation of the 1965 Voting Rights Act, and Federal agencies' efforts to prevent, detect, and prosecute fraud against Government programs.

Federal Bureau of Investigation

The Federal Bureau of Investigation (FBI) investigates violations of Federal statutes, collects evidence in cases in which the United States is or may be an interested party, and performs other duties imposed by law or Presidential directive.

In fiscal year 1977 the Bureau's resources totaled about \$467,000,000 and 20,000 employees. In 1977 the FBI gave highest investigative priority to white-collar crimes, organized crime, and foreign counterintelligence.

Testimony

In September 1976, we testified before the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary, on the FBI's methods of

GENERAL GOVERNMENT OPERATIONS

reporting on the results of criminal investigative activities.

In July 1977, we testified before the Subcommittee on Information and Individual Rights, House Committee on Government Operations, on our interim assessment of the FBI's inquiries into alleged improper conduct by FBI employees.

Audit Work in Process

We are auditing the FBI's investigative results and accomplishments, investigative indexes, internal review and inspection operations, processing of Freedom of Information Act and Privacy Act requests, and conduct of domestic intelligence operations under the Attorney General's guidelines.

Law Enforcement Assistance Administration

The Law Enforcement Assistance Administration is responsible for helping State and local governments improve their criminal justice systems and reduce crime. Since 1969 the agency has awarded more than \$4.5 billion for these purposes.

Learning Disabilities: The Link to Delinquency Should Be Determined, But Schools Should Do More Now

Most juvenile delinquents behave badly in school, and many may be "academic underachievers"—pupils of normal intelligence who are 2 or more years below the level expected for their ability.

We investigated underachievement among institutionalized juvenile delinquents in two States. About one-fourth of those tested by our education consultants were unable to do one or more specific tasks within the capability of individuals of comparable mental capacity. Whether these learning disabilities caused delinquency is uncertain.

We reported to the Congress that compensating for or correcting learning disabilities is, in itself, justified and may reduce delinquency. We stated that much improvement in correcting learning disabilities in public school systems and in institutions housing delinquents is needed.

We recommended that:

—The Secretary of Health, Education, and Welfare direct the Assistant Secretary for Education to develop, along with the States, statistics on children with learning disabilities and then develop ways to better assure that such children are adequately diagnosed and treated.

—The Attorney General direct the Administrator of the Law Enforcement Assistance Administration to work closely with the States in developing

criminal justice plans that require juvenile correctional institutions to use diagnostic information pertinent to the juveniles' educational needs and problems.

—The HEW Secretary and the Attorney General jointly fund a study to determine the nature, extent, and direction of the relationship, if any, between learning disabilities and delinquent behavior.

In response HEW outlined the steps it was taking to develop statistics and agreed with our recommendation for a study.

The Department of Justice noted that the Law Enforcement Assistance Administration was studying the incidence of learning disabilities among delinquents and nondelinquents and the potential of a remedial program. (GGD-76-97, Mar. 4, 1977.)

Testimony

In September 1977, we testified before the Subcommittee on Juvenile Delinquency, Senate Committee on the Judiciary, on our findings concerning problems encountered in removing from detention and correctional facilities those juveniles who are charged with or who have committed offenses that would not be considered criminal if committed by an adult. The Subcommittee was initiating a series of hearings relating to the Law Enforcement Assistance Administration's implementation of the Juvenile Justice and Delinquency Prevention Act of 1974.

Audit Work in Process

As of September 30, 1977, the administration was looking at our draft report on Administration and State evaluation activities.

Drug Enforcement Administration

The Drug Enforcement Administration is the primary agency responsible for Federal drug law enforcement. The agency submitted an appropriation request of \$181 million for fiscal year 1978 (1) to suppress traffic in illicit narcotics and dangerous drugs and (2) to regulate and enforce laws governing the manufacture and distribution of licit drugs. The Department of State, the U.S. Customs Service, and the Immigration and Naturalization Service also have responsibilities for drug abuse control.

Opium Eradication Efforts in Mexico: Cautious Optimism Advised

For 30 years the opium poppy, from which heroin is derived, has been cultivated in Mexico despite the

Mexican Government's increasing effort to prevent it. With the disruption of the Turkish-French heroin connection in recent years, Mexico has cultivated more poppies to meet U.S. addicts' demand for heroin. The Drug Enforcement Administration has concluded that, on the basis of 1975 seizures, 89 percent of the heroin in the United States is of Mexican origin.

To eliminate this heroin, the United States is helping the Mexican Government kill poppies by spraying them with herbicides.

Although many fields are being destroyed and heroin removal statistics show a trend of lower purity and higher prices, our classified report to Representative Charles B. Rangel recommended that the Secretary of State require the U.S. Mission in Mexico to develop a more comprehensive narcotics control plan which would clearly define assistance goals and the criteria for evaluating progress.

The Department of State advised us that the outgoing Mexican administration had prepared a study of the resources needed for the program which will be reviewed by both governments and that a plan for identifying program goals and resources is being developed. (GGD-77-6, Feb. 18, 1977.)

Drugs, Firearms, Currency, and Other Property Seized by Law Enforcement Agencies: Too Much Held Too Long

When Federal law enforcement officers seize property, it is either held as evidence or until it is forfeited to the Government. The problem accumulation of property causes is that too much is held too long, causing deterioration, loss or accumulation of property.

Our report to the Congress recommends several solutions.

- When permitted by the courts, U.S. attorneys and law enforcement agencies should use samples of drugs as evidence.
- Currency should be returned to the U.S. Treasury or the rightful owner and serial numbers or photocopies used as evidence.
- Administrative practices need to be improved so vehicles can be promptly forfeited. Also, having the General Services Administration sell all vehicles not used by agencies in the Department of the Treasury should be considered.
- Small samples of explosives, along with photographs and eyewitness testimony, could be used as evidence. If proposed legislation were passed, all other seized illegal explosives could be promptly forfeited to the Government and destroyed.

We also recommended that the Congress raise the dollar limit of administrative forfeitures so agencies

can quickly process them and decrease U.S. District Court workloads. For example, vehicles valued over \$2,500 must be forfeited through the court system, which usually takes longer.

The Department of Justice and the General Services Administration generally agreed with our recommendations; however, the Department of the Treasury cited legal restrictions against implementing several of them. (GGD-76-105, May 31, 1977.)

Audit Work in Process

At September 30, 1977, we were auditing the Drug Enforcement Administration's (1) activities in Latin America, (2) efforts to suppress retail level diversion of controlled substances, (3) efforts to improve State and local drug law enforcement capabilities, and (4) activities concerning science and technology.

Department of the Treasury

The Treasury Department formulates and recommends financial, tax, and fiscal policies; serves as financial agent for the U.S. Government; enforces tax, customs, and currency laws; and manufactures coins and currency. The Department has about 124,000 employees.

Internal Revenue Service

The Internal Revenue Service administers revenue laws, except those relating to alcohol, tobacco, firearms, and explosives. During 1977, IRS spent about \$1.8 billion to help taxpayers meet their filing obligations, audit tax returns, collect taxes, and make refunds to taxpayers, among other things. It collected revenues of about \$360 billion in fiscal year 1977 and made refunds of about \$36 billion.

During fiscal year 1977 we made several reviews at the request of, and as agents of, the Joint Committee on Taxation. In October 1977 the Congress passed legislation giving GAO independent access to appropriate IRS records. This should enable us to expand our reviews of tax administration activities.

Audit Plans for Individual Income Tax Returns

Procedures for selecting individual income tax returns for audit generally protect U.S. taxpayers against abuse, but these procedures can be improved. The Congress would have a better idea of the Internal Revenue Service's audit activities if the Service presented the rationale for the way it splits up its audit work among the various classes of taxpayers. IRS does

GENERAL GOVERNMENT OPERATIONS

not give the Congress enough information during the appropriation process to justify its budget requests for additional audit staff, nor does it clarify what alternative long-range plans are available or why it selected a particular plan. IRS does not, for example, point out that its long-range plan calls for different rates of compliance at different levels of income.

Given the need to assure equity in tax law administration and IRS' previous deviation from its plan, we concluded that the Congress should discuss with IRS its decisions regarding audit coverage—but the Congress cannot do that unless IRS provides enough data.

In our report to the Joint Committee on Taxation we recommended that the Congress request IRS to provide detailed information on its audit plans as part of its annual appropriation request. The House Appropriations Committee discussed this recommendation with IRS during fiscal year 1978 budget hearings.

We addressed 10 other recommendations to the Commissioner of IRS. IRS generally agreed with each and cited the corrective action it would take. (GGD-76-55, Nov. 5, 1976.)

Audits of Individual Income Tax Returns

Internal Revenue Service examiners generally used their authority for auditing tax returns with discretion, and taxpayers GAO questioned generally reacted favorably to IRS. However, the audit process could be improved if IRS treated taxpayers more consistently and made sure that taxpayers are not "agreeing" to audit findings they do not understand or do not really agree with.

In our report to the Joint Committee on Taxation, we recommended that the Commissioner of IRS:

- Revise the audit reports or accompanying letters sent taxpayers who failed to respond to IRS' initial contact letters to make it clear that (1) IRS had sent a previous letter asking for support for certain items, (2) the items are now being disallowed because the requested support was not provided, and (3) IRS will reconsider its findings if the support is provided.
- Establish uniform criteria for determining whether additional tax should be assessed or whether the audit should be closed with "no change."
- Require examiners to tell taxpayers of their appeal rights, especially the right to meet with the examiner's supervisor, after explaining their audit findings to them but before soliciting their agreement to those findings.
- Better insure that taxpayers do not agree to erroneous adjustments by revising the letter notifying them of adjustments for unallowable items.

IRS has taken steps and plans others to clarify the explanation given taxpayers who failed to respond to IRS' first contact letter. IRS plans also to revise the letter used to notify taxpayers of unallowable item adjustments and to revise its manual so that uniform criteria will be used in deciding whether to assess an additional tax or to close a case with "no change."

IRS agreed to revise its instructions so that taxpayers are reminded of their right to discuss an examiner's findings with his supervisor before they are asked to agree to the findings. (GGD-76-54, Dec. 2, 1976.)

Action Being Taken To Prevent Refundable Payments of Social Security and Federal Unemployment Taxes by Charitable Organizations

Many charitable organizations are exempt from paying social security and unemployment taxes. However, the exemption from social security taxes can be waived if a written request or waiver is filed with IRS. Until October 1976, if a waiver was not filed and payments were made, the organization could withdraw any payments accepted by IRS over the last 3 years. In 1975 about 12,700 to 20,200 organizations which had not waived their exemption paid social security taxes ranging from \$118 to \$369 million. Because of IRS administrative errors, these amounts all were refundable.

Legislation—based on our draft report to the Joint Committee on Taxation—was signed in October 1976 to correct the problem. Public Law 94-563 states that, if charitable organizations have made social security payments for three consecutive calendar quarters, they cannot withdraw their money whether or not they failed to file a waiver. Pursuant to the law, IRS is taking actions which will also correct the lesser problem of improper unemployment tax collections. (GGD-76-102, Feb. 1, 1977.)

Need To Simplify the Form 1040A

Form 1040A is designed to provide a simplified way for those persons using the standard deduction and having primarily wages or salary income to determine the income tax they owe. The 1040A was used by an estimated 30.2 million filers during 1977. We reported to the Joint Committee on Taxation that the form has become complex as a result of calculating the standard deduction and determining the general tax credit.

To simplify the general tax credit we proposed either altering the tax rates or making the credit a flat dollar amount. The standard deduction could be simplified by making it a single dollar amount rather than the current percentage standard deduction coupled with a minimum and a maximum amount.

Public Law 95-30, dated May 23, 1977, provides that the standard deduction be a single amount for each filing class and that the standard deductions and general tax credit be incorporated into the tax table. (GGD-77-26, Feb. 9, 1977.)

Extending the Tax Assessment Period: Why, How Often, and What Improvements Can Be Made

IRS usually has 3 years to audit a tax return and assess the taxpayer for any related tax change. This statutory period can be extended—waived—through written agreement between IRS and the taxpayer. The main reason IRS requests waivers is to avoid potential loss.

Waivers are infrequent—only about 2 percent of the almost 50,000 audits closed during the sample period included waivers. However, IRS can reduce the frequency even further and better assure taxpayers that waiver periods are reasonable.

IRS, when asking taxpayers to agree to waivers, does not usually tell them about alternative actions. About 20 percent of the taxpayers and taxpayer representatives we interviewed said that knowledge of alternatives would have affected their decisions to agree to IRS' waiver requests. Also, 24 percent of the interviewees felt pressured by IRS into extending the statutory period. The lack of information about waiver alternatives probably accounted for part of this feeling of ill will.

In our report to the Joint Committee on Taxation we recommended that the Commissioner of Internal Revenue:

- Require that cases nearing expiration of the statutory period be given priority.
- Expand the use of open-ended waivers, particularly for tax examinations that cannot be closed within the foreseeable future.
- Provide taxpayers with complete and consistent explanations, orally and in writing, of their rights and options when faced with waiver decisions.
- Permit the taxpayer greater leeway in proposing waiver conditions and accept those conditions that are reasonable.

We also recommended that the Commissioner add to the waiver agreement form a statement that the waiver period will end on the agreed date or after assessment, whichever comes first. This would provide the taxpayer more assurance that the waiver period is no longer than necessary.

In a January 18, 1977, letter, the Commissioner of Internal Revenue stated that, although the 2-percent waiver rate we found reflects favorably on existing IRS policies and procedures, IRS will revise them in line with our recommendations.

IRS has begun revising its procedures, letters, and forms and is developing a publication to inform taxpayers of their waiver rights and options. (GGD-76-108, Mar. 28, 1977.)

Alcohol and Tobacco Excise Taxes: Laws and Audits Need Modernizing

Bureau of Alcohol, Tobacco and Firearms inspectors are assigned to distilled spirits and industrial alcohol facilities to protect excise tax revenues. The statutory requirement for this practice dates to 1868 when Government presence was needed to stop rampant tax evasion. Since there is no longer such a need, the Congress should change the laws.

Also, the Internal Revenue Service and the Bureau of Alcohol, Tobacco and Firearms should better coordinate excise tax audits in the alcohol and tobacco industries. The Bureau does not now have the expertise to conduct a financial audit of a taxpayer's books of account; IRS does. Thus, the Congress should direct the two agencies to do joint audits.

The Oversight Subcommittee, House Committee on Ways and Means, stated that it would hold hearings late in 1977 on the matters discussed in our report to the Joint Committee on Taxation. Also, the Department of the Treasury is considering our recommendations in its study of Presidential reorganization objectives. (GGD-76-91, Apr. 8, 1977.)

Status Report on Simplification

We provided the Chairman, Joint Committee on Taxation, an update of our work on tax simplification for use in preparing his June 1977 report on tax issues that the Congress could look at to simplify tax laws.

Our efforts are directed at two main areas. First, we are looking at those tax issues that generate the most controversy between the Internal Revenue Service and taxpayers at the Appellate Division level: compensation for services; unreported, understated, or reconstructed income; scholarships and fellowships; travel expense; the support test for children of divorced parents; education expense; definition of trade or business; and personal casualty loss.

Second, we are analyzing tax issues which present difficulties to middle and lower income taxpayers. From data maintained by IRS, we intend to identify what sections of the individual tax returns present particular problems for taxpayers, analyze the tax return error rates, and identify why those errors are made. To formulate proposed changes, we will first look at the tax forms, then the instructions for the forms, appro-

GENERAL GOVERNMENT OPERATIONS

appropriate rulings, procedures, and regulations applicable to the forms, and finally the pertinent provisions of the law.

IRS Needs To Better Protect the Confidentiality of Income Tax Information

IRS designed a security program to protect the confidentiality of its tax data, but program weaknesses are widespread, so untrustworthy employees or others having access to IRS facilities can penetrate the safeguards and obtain unauthorized tax data with little chance of detection.

In our report to the Joint Committee on Taxation we made 32 recommendations to correct weaknesses in the following areas:

- Computer operation.
- The data retrieval system.
- Employee access to printed data.
- Background investigations.
- Physical security.
- Tax data at Federal Records Centers.

IRS agreed with most of these recommendations. The Commissioner said that, although IRS has not been as aggressive as it might have been in correcting weaknesses, he is committing the Service to improving its attitude about the need for maximum security of tax information and has taken steps to comply with security requirements.

IRS agreed to carry out our recommendations in the areas of the data retrieval system, employee access to printed data, background investigations, physical security, and tax data shipment. While agreeing to most of our recommendations on computer operations, IRS stated that other actions being taken might preclude the need to implement certain recommended controls over program documentation and tape library access. IRS, therefore, intended to study these recommendations further. The Commissioner disagreed with the need for identifying the magnetic tapes used and who accessed them at one computer facility where most work involves testing. (GGD-77-44, July 11, 1977.)

Extending the Innocent Spouse Rule to Community Property Situations

The problem, which can be corrected by legislation, relates to a spouse in a community property situation who files a separate return from which is omitted the one-half of community income he or she owns but does not receive. Under current law, section 6013(e) of the Internal Revenue Code grants relief to an "innocent spouse" on a fraudulent joint return where he or she neither benefits from nor receives income re-

ceived by the other spouse and not reported. Section 6013(e) does not apply if separate returns are filed by two married persons.

Under State community property rules the husband, as trustee of the community, is legally obligated to pay both his and his wife's one-half share of taxes due with respect to community property and income out of the proceeds of the community property under his management and control. The Internal Revenue Service, however, has proceeded against the wife directly as the person primarily liable for the Federal income tax on her one-half share—notwithstanding that the husband has appropriated the entire community income to his own use, for other than family purposes. It does not appear that IRS ever has proceeded against the husband to collect the wife's one-half share of the community tax liability in this situation. The fact that the wife is primarily liable for the tax on her one-half share is not a legal impediment to IRS' proceeding against the husband as trustee of the community and as the one in possession of the wife's one-half share.

In a letter report to the Chairman, Joint Committee on Taxation, we recommended that section 6013 of the Internal Revenue Code be amended so that, where certain conditions exist, the separated spouse who does not receive the one-half of community income to which he or she has a vested right under State law is relieved of tax liability to the extent that such liability is attributable to the omission from gross income of the one-half of community income not received. IRS officials informally agreed that legislation along the line we recommend is the best solution to the problem. (GGD-77-56, July 12, 1977.)

IRS' Controls Over the Use of Confidential Informants: Recent Improvements Not Adequate

IRS uses confidential informants to identify and investigate suspected criminal violators of tax laws. This can endanger IRS employees, jeopardize tax cases, and violate taxpayers' rights. Such serious risks, therefore, dictate a need for strong management controls. We reported to the Joint Committee on Taxation that such controls, in the past, were inadequate.

Although IRS has taken steps recently to strengthen these controls, higher level management officials—preferably regional commissioners—need to make sure they authorize the use of informants only after determining that there is

- reasonable cause to believe a tax law has been violated,
- no practical alternative for obtaining essential information, and
- a specific limitation on the time and scope of the informant's activities.

IRS did not agree that regional commissioners should approve the use of informants; it believes district directors should have this authority. Although GAO believes that regional commissioners would be in a better position to authorize using an informant, we are willing to accept IRS' position, on a trial basis. (GGD-77-46, Sept. 1, 1977.)

Audit Work in Process

At the request of the Joint Committee on Taxation, we are reviewing IRS procedures for seizure and disposal of property, administration of self-employment income taxes, intelligence and internal inspection activities, trust fund tax delinquencies, nonfiler detection programs, simplification of the individual income tax, taxpayer inquiries and complaints, the Taxpayer Compliance and Measurement Program, repetitive audits of taxpayers, postaudit review activities, Federal-State tax information exchange activities, the proposed computerized Tax Administration System, and IRS activities relating to corporate taxation.

Office of Revenue Sharing

General Revenue Sharing

The State and Local Fiscal Assistance Act of 1972, commonly called the Revenue Sharing Act, was amended to include various changes we recommended in the requirements for auditing, reporting, and non-discrimination. About \$6.85 billion will be distributed to 39,000 State and local governments each fiscal year through September 1980.

During fiscal year 1977 we assisted three congressional committees in their analysis of the proposed accounting and auditing regulations for the Revenue Sharing Program. This work, together with several meetings with and letters to Treasury officials, resulted in several corrections and clarifications when the final regulations were published.

Antirecession Assistance

Title II of the Public Works Act of 1976 required that we report to the Congress within 1 year on the effect of the Antirecession Assistance Program on State and local government operations. About \$1.18 billion was distributed during the year ended June 30, 1977. These funds had varied effects, from preventing employee layoffs or tax increases to enlarging surpluses. The formula used to distribute the funds, however, has not directed the funds to only those governments substantially affected by the recession, and "excess unemployment" as defined in the legislation is not a reli-

able indicator of the recession's impact on State and local governments.

Recognizing these problems as it renewed the program for a year, the Congress directed the Secretary of the Treasury to investigate the extent to which funds could be allocated according to better measures of true economic conditions. (GGD-77-76, July 20, 1977.)

Testimony

We testified in March 1977 before the Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, on the preliminary results of our legislatively mandated review of the impact of the Antirecession Assistance Program on State and local government operations.

Bureau of the Mint

Alternatives to Constructing New Denver Mint

We reported to the Senate Committee on Banking, Housing and Urban Affairs that the Bureau of the Mint should consider other alternatives before deciding to build a new Denver mint. These alternatives include (1) using all existing production facilities, (2) combining metal and proof coin operations and using saved space to increase production capability, (3) upgrading equipment and facilities to increase productivity, and (4) eliminating strip production capability and converting the space to coin production. The Bureau said that a decision is needed on the future of the U.S. coinage system and that, if the cent is eliminated, a new mint would not be necessary. (LCD-76-458, Dec. 6, 1976.)

Federal Financing Bank

The Federal Financing Bank Act of 1973 (P.L. 93-224) created the Federal Financing Bank on December 29, 1973, as a wholly owned Government corporation. The purpose of the act was to (1) assure that Federal and federally assisted borrowings are coordinated with overall Government economic and fiscal policies, (2) reduce the costs of Federal and federally assisted borrowings from the public, and (3) assure that such borrowings are financed in the manner least disruptive to private financial markets and institutions. The Bank operates as a financing mechanism for the credit programs of other Federal agencies.

GENERAL GOVERNMENT OPERATIONS

Reporting to the Congress on the results of our financial audit of the Federal Financing Bank for fiscal years 1975 and 1976, we pointed out that the Bank had accumulated profits far beyond its needs—\$126 million through June 30, 1976—and was adding greatly to that figure each year. We recommended that the Bank transfer accumulated and future cash profits to the Treasury and reduce the accumulation of excessive profits. On June 30, 1977, the Bank returned \$143 million to the Treasury. (GGD-77-36, Apr. 27, 1977.)

District of Columbia Government

The District of Columbia has entered its fourth year of “home rule.” The Mayor and City Council run the city government, which provides a full range of services to some 700,000 citizens. The city government is unique because it has some characteristics of a county government and many responsibilities similar to those of a State. The Congress continues to oversee the District, including appropriating operating funds. Our auditors review the operations, programs, and accounts of the District Government.

Ineffective Management of Welfare Cases Costing Millions

We reported to the Mayor that the Department of Human Resources did not promptly and effectively identify and remove from the rolls those welfare recipients who willfully misrepresented the facts concerning their eligibility for public assistance. This resulted in overpayments exceeding \$26 million from October 1970 through December 1975. Although the Department began reviewing all welfare cases in November 1975, it had not established procedures to analyze errors and report them to management.

We recommended that the Department (1) report on the kinds of errors and their causes so it can improve its procedures for verifying information when recipients apply for welfare and at the time a determination is made for continued eligibility, (2) insure that the status of errors, including the reasons for not correcting them within the prescribed time, be reported monthly to management, (3) insure that possible ineligible and erroneous payment case findings are analyzed to determine whether errors are widespread, and (4) collect, analyze, and report to management on the results of its special review for improving its procedures for handling welfare cases and payments. (GGD-76-109, Dec. 28, 1976.)

Improved Systems for Identifying Welfare Recipients Being Paid Erroneous Amounts

The three systems we developed with the District to identify welfare cases that have a high probability of error could help the Department of Human Resources improve the administration of its Aid to Families with Dependent Children program and other procedures. The District has about 31,000 Aid to Families with Dependent Children cases, and its total annual payments were \$94 million in fiscal year 1976.

One system is designed to identify recipients who are overpaid by \$100 or more a month, another identifies overpayment cases regardless of amount, and the other identifies ineligible cases. Each of the systems ranks cases for review according to their error potential. Any of the systems could potentially save substantial welfare costs.

On May 1, 1977, the Department began using the system that identifies those recipients overpaid by \$100 or more a month. (GGD-77-51, Apr. 20, 1977.)

Analysis of the Economic Feasibility of the Construction of a Civic Center

We reported to the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, that the economic feasibility of constructing and operating a civic center was uncertain. The proposed civic center would consist of 390,000 square feet of exhibit and meeting room space and would cost approximately \$110 million.

Uncertainty about the civic center's net financial benefits to the city stems from questionable assumptions about the estimated number of additional visitors the city will attract as a result of the center. The final cost of the center is uncertain because the accuracy of the estimate is questionable. The District's ability to overcome several potential construction delays that could escalate costs is also uncertain. The likelihood that the District could begin operating the civic center by mid-1981 depends on how effectively it can minimize delays. Economic feasibility also depends on the District's ability to provide for effective management. (GGD-77-58, May 18, 1977.)

What Needs To Be Done To Improve the Supply System of the District of Columbia

We reported to the Congress, the Mayor, and the City Council that the District of Columbia did not have an economical and effective citywide supply program. The provision of vital city services, such as health care and education, was sometimes hindered

because needed supplies were low or completely exhausted. Simultaneously, other departments were accumulating much unneeded stock. We estimated that the District could possibly save \$7.1 million through improved supply management practices.

We recommended that the Mayor implement the City Council's resolution establishing a centrally managed supply system. We also recommended that (1) the central management group be made responsible for formulating and implementing the system, (2) financial and operational information needed to manage the system be included in the city's new financial management system, and (3) positions and operating funds for implementing the system be fully justified to the Congress. (GGD-77-32, Sept. 29, 1977.)

Excess Classroom Space— A Case for Better Planning

We reported to the District of Columbia's Board of Education that the public schools' facilities planning system was not effective. Elementary school capital improvement projects were planned, designed, and constructed to meet neighborhood or school planning area needs without considering the space available in other areas. In the 1976-77 school year, there were about 19,000 excess elementary school seats. Declining enrollments and added classrooms will create over 28,000 excess seats by 1980.

Also, we reported that the need for the \$8.2 million Perry-Simmons replacement elementary school had not been satisfactorily justified, considering the available seats in other elementary schools in the planning area.

We recommended that the Board of Education (1) cancel its plan to build the Perry-Simmons replacement school, (2) implement a facilities planning system, (3) revise its planning policy to consider available pupil capacity in adjacent planning areas, (4) codify its capital improvements policy statements, and (5) develop and adopt a plan and timetable for implementing the planning system. (GGD-76-73, Sept. 30, 1977.)

Testimony

On June 29, 1977, we testified on the economic feasibility of the District of Columbia's proposed civic center before the Subcommittee on the District of Columbia, Senate Committee on Appropriations.

Audit Work in Process

On September 30, 1977, we were reviewing the District's overall economic health; city health care delivery systems; land use and related zoning practices; man-

agement of citywide grant funds; consolidation of the University of the District of Columbia; quality control system for welfare case review; special police and guard forces; and rent establishment and collection practices for public housing.

Smithsonian Institution

The Congress created the Smithsonian Institution in 1846 to carry out the terms of the will of James Smithson of England, who bequeathed his entire estate to the United States "to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men."

The Smithsonian receives financial support from both Federal and private sources. About \$111 million of Federal funds was appropriated for the Smithsonian in fiscal year 1977, and about \$39 million of the Smithsonian's private funds was spent that year. At June 30, 1977, the Smithsonian had about 4,600 full-time employees—3,500 on the Federal payroll and 1,100 on the private payroll.

Need To Strengthen Financial Accountability to the Congress

We reported to the Senate Committee on Appropriations, Subcommittee on the Department of the Interior and Related Agencies, that the Smithsonian (1) distributed Federal funds to private, nonprofit corporations, thereby avoiding fiscal year and civil service restrictions, (2) reprogrammed appropriated funds without approval of the appropriations committees, and (3) needed to inform the Congress of its planned use of private funds.

In line with our recommendations, the appropriation act for fiscal year 1978 prohibited distribution of the Federal funds to one of the private corporations, and the appropriations committees issued joint guidelines clearing up the confusion about approval of reprogramming actions. (GGD-77-43, Mar. 31, 1977.)

United States Postal Service

In fiscal year 1977 the Postal Service

- employed about 650,000 people,
- used about 32,000 post offices and 200,000 vehicles, and
- delivered about 90 billion pieces of mail.

Total revenues were approximately \$14 billion, including \$1.5 billion in Federal subsidies.

The Role of the Postal Rate Commission Should Be Clarified

In our report to the Chairman, Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations, we pointed out that the overall structure of the postal ratemaking process is effective. Nevertheless, a better definition of the Postal Rate Commission's role and refinements in the Postal Reorganization Act would improve ratemaking.

Because the Postal Service, the Board of Governors, and the Postal Rate Commission disagree on the role the Congress intended the Commission to play in postal affairs, disputes have arisen involving the Commission's authority to

- set certain postal rates,
- pass on the validity of Service cost and revenue estimates, and
- investigate management efficiency and economy and mail service quality.

We recommended that the Congress clarify its intent concerning the Postal Rate Commission.

The differing views of the Service, the Board of Governors, and the Commission have created other problems, some of which point up a need for other legislative changes. We recommend that the Congress amend the Postal Reorganization Act to provide (1) the Commission with authority to impose a periodic reporting system, issue subpoenas, and represent itself in court litigation, and (2) for congressional approval of the Board of Governors' adjustments to the Commission's budgets. (GGD-77-20, Apr. 7, 1977.)

Problems of the New National Bulk Mail System

We reported to the Chairman, Subcommittee on Postal Facilities, Mail, and Labor Management, House Committee on Post Office and Civil Service, that the Postal Service initiated the \$1 billion National Bulk Mail System expecting to lower overall operating costs and improve the quality of mail service, thereby allowing it to maintain its share of the parcel market. The report discusses the system's cost increases, schedule delays, safety record, and other problems.

We concluded that the lower productivity, unused capacity, and large volumes of nonmachinable mail will adversely affect the cost savings the Service expected to realize from the bulk mail system. It was too early, however, to tell whether operational problems would prevent the system from providing enough savings to justify the investment. (GGD-76-100, Dec. 10, 1976.)

Pros and Cons of Linking Postage Rates to the Consumer Price Index

Indexing has been advanced as a reasonable method of establishing fair and equitable postage rates. Proponents of the concept see it as a way of (1) evaluating Postal Service performance and (2) determining that portion of the Postal Service's expenses which should be funded by general tax revenues (the so-called public service payment).

Conceptually, indexing works as follows. At certain intervals, postage rates would be increased to reflect increases in some selected price index. When revenues, even after adjustments for higher prices as shown by the price index, fell short of Postal Service needs, the Congress, faced with a postal deficit, would have trade-offs between raising rates above the level indicated by the index, appropriating tax funds, or cutting some aspect of postal operations.

In our staff study, we forecast several situations for the price of a first-class stamp for the period 1977 through 1984, using projections of changes in the Consumer Price Index (CPI) and the CPI-service index. Because of the uncertainty of future mail volume, we made our forecasts assuming (1) declining mail volume and (2) rising mail volume. We found that the cumulative deficits resulting from indexed rates under either alternative would be substantial.

We concluded that tying postage rate increases to an index has its greatest appeal in making increases understandable and therefore more acceptable to the public. Indexing, on the other hand, does not appear to solve the problem of coping with the deficits which result if publicly acceptable rate increases do not allow the Service to recover its costs. (GGD-77-13, Jan. 11, 1977.)

Audit Work in Process

Work in process at the end of the fiscal year included audits of the Postal Service's labor-management relations, revenue protection function, productivity measurement systems, entrance into the electronic communications field, and consolidations of mail processing operations, and a followup review of the National Bulk Mail System.

Federal Reports Act

The Federal Reports Act requires that we review and clear the collection of information by independent Federal regulatory agencies to insure that business enterprises and persons furnishing the information bear only a minimum burden.

Currently 15 agencies' information-gathering requirements are subject to clearance. These agencies have from 400 to 500 active forms which must be reviewed and renewed periodically, and new information-gathering requirements are continually being added. Changes to existing active clearances must also be submitted for clearance.

During fiscal year 1977, we made 196 clearance decisions. We issued separate reports to the Chairmen of the Nuclear Regulatory Commission, the Commodity Futures Trading Commission, the Civil Aeronautics Board, and the Federal Maritime Commission on their information-gathering activities. We also issued a report to the Chairman, Commission on Federal Paperwork, on the Federal Power Commission's development of forms and schedules for phase I of its Regulatory Information System.

How the Office of Management and Budget Carried Out Its Federal Reports Act Responsibilities

The Federal Reports Act requires the Office of Management and Budget to approve certain executive agency forms for collecting information from the public. OMB is to insure that the information is needed by the agency and that it does not duplicate other information being obtained by executive agencies.

In our report to the Chairman, Subcommittee on Civil Service and General Services, Senate Committee on Governmental Affairs, we recommended that the OMB Director provide the resources needed by the Clearance Office to investigate an agency's ability to use collected information. We also recommended that OMB obtain updated justifications from agencies on the need for proposed revisions to or extensions of existing reports. A lack of information and limited staff precluded OMB from adequately assessing the agencies' need for data. We also determined that statistics relating to the paperwork burden and to President Ford's reporting reduction program were subject to error, so users of these statistics should be aware of their limitations.

By letter dated September 19, 1977, to the Chairman, Senate Committee on Governmental Affairs, the Director stated that those activities which are related to controlling the reporting burden on the public and those related to regulatory reform would be reorganized into one division. However, the Director stated that, pending the Commission on Federal Paperwork's evaluation of OMB and an evaluation of how well the reorganization works, no new resources would be committed to the agency forms approval group. Also, he stated that new instructions would be sent to agencies

requiring them to justify the usefulness of reports. (GGD-77-38, May 25, 1977.)

Audit Work in Process

Audit work in process at September 30, 1977, includes reviews of the Federal Trade Commission's and the Interstate Commerce Commission's information-gathering programs.

Government Statistics Programs

The Federal Government spends about \$690 million annually for its principal statistical programs and employs about 9,000 people in its major statistical agencies. The statistical programs relate to all activities, including agriculture, commerce, health services, education, and labor. The statistics are used by both business and government to formulate policy, allocate funds, make decisions, and plan economic activity. We are addressing the availability, accuracy, and burden to the public of these statistical programs because of the interest of the Congress, the business community, and the general public.

An Assessment of Capacity Utilization Statistics—Strengths and Weaknesses

Differences in industrial capacity utilization rates reported by seven organizations for 1970-75 ranged from 10.2 to 22 percentage points. The variations are caused by differences in data collection, calculation methods, and definitions of capacity. All of the capacity utilization statistics we reviewed have weaknesses.

In our report to Representative John Y. McCollister we recommended that the Director of the Office of Management and Budget (1) define various capacities for use in calculating the statistics and (2) assign to a Federal organization or organizations the responsibility for developing a single, reliable set of rates for Government and non-Government users. (CED-77-3, Oct. 28, 1976.)

Audit Work in Process

As of September 30, 1977, we were fulfilling congressional requests to review (1) agricultural production and marketing statistics developed by the Statistical Reporting Service, Department of Agriculture, and the Bureau of the Census, Commerce Department, (2) costs associated with the pretests for the 1980 popula-

GENERAL GOVERNMENT OPERATIONS

tion census, (3) the use of employment statistics and the way they are calculated, and (4) the use of opinion polls and attitude surveys by Federal agencies.

Intergovernmental Relations

Federal aid now represents about one-fourth of total State and local government expenditures; we have been working on improving management of the system for delivering Federal assistance to States and localities.

Federally Assisted Areawide Planning: Need To Simplify Policies and Practices

We identified problems State and local governments and other organizations had in coordinating and integrating a myriad of federally assisted areawide planning programs:

- Planning programs were begun haphazardly over several years to satisfy particular needs or demands.
- Federal agencies often ignored the designated comprehensive planning agency; instead, they set up separate planning groups for different geographic areas.
- The States sometimes disregarded their own planning subdivisions in implementing Federal programs.
- Federal agencies' varying requirements impeded coordinated planning and made it difficult for one planning organization to satisfy all Federal requirements.

We recommend that the Congress reduce the number of planning programs and establish a national policy on areawide planning. We also made recommendations for improving the Office of Management and Budget's circular dealing with areawide planning. The Office agreed generally with our conclusions and recommendations. (GGD-77-24, Mar. 28, 1977.)

Assessment of New York City's Performance and Prospects

Public Law 94-143 authorized the Secretary of the Treasury to lend up to \$2.3 billion to assist financially troubled New York City. The Secretary's lending authority expires on June 30, 1978.

The city is operating under a 3-year financial plan to achieve a balanced budget for the fiscal year beginning July 1, 1977. After June 1978, assuming the financial plan is successful, the city will be in a position

to return to the private credit market (which closed to it in 1975) and Federal assistance is to cease.

The city made progress during the first year of the financial plan, but its prospects for the future are not bright because substantial financing needs and continuing budget pressures will likely present the city with a continuing crisis for several years.

We suggested that the Congress begin considering the appropriate Federal response, such as direct loans or loan guarantees, if the city requests additional assistance. We recommended that any assistance to the city or any other local government be provided under stringent conditions so that the pressure on State and local governments for prudent management of their financial affairs continues.

On May 16, 1977, during testimony before the Senate Committee on Banking, Housing and Urban Affairs on New York City's progress and adherence to the plan, we presented highlights from our report. (GGD-77-40, Apr. 4, 1977.)

Audit Work in Process

In process on September 30, 1977, were reviews of administrative costs of Federal programs, technical assistance needs of State and local governments, Federal programs' matching and maintenance-of-effort requirements, implementation of the Uniform Relocation Act, and costs principles applicable to grants and contracts with State and local governments.

Legislative Branch

Our professional staff at the Capitol audits the various revolving funds and other activities of the House, the Senate, other legislative branch agencies, and the activities of private organizations doing business on the Capitol grounds. Several of our audits are made in accordance with statutory requirements, such as the Legislative Reorganization Act of 1970.

Our staff also responds to requests from committee chairmen and officials of the Congress to review legislative branch activities and provides day-to-day assistance on management, financial, and administrative matters when requested by Members, committees, or officers of the Congress.

Our legislative branch audit activities included reviews of

- the financial operations carried out by the Sergeant at Arms of the House,
- the accountability of the Clerk of the House for appropriated and other funds received and disbursed through the House Finance Office,

- the House Recording Studio Revolving Fund,
- the House Stationery Revolving Fund,
- the House Restaurant Revolving Fund,
- the House Office Equipment Service,
- the House Beauty Shop Revolving Fund,
- the House Majority and Minority Printing Clerks,
- the Attending Physician Revolving Fund,
- the Senate Recording Studio Revolving Fund,
- the Senate Restaurant Revolving Fund,
- the accountability of the Secretary of the Senate for funds and other assets,
- the Capitol Historical Society,
- a food service contract entered into by the Joint Committee for the Commemoration of the Bicentennial,
- the management and operations of the American Indian Review Commission,
- certain management functions of the Sergeant at Arms of the Senate,
- the operations of the House Doorkeeper's Publication Distribution Service,

- the new allowance system for Members of the House,
- the financial management system of the Congressional Budget Office, and
- the accountability of the disbursing officer of the Library of Congress.

We prepared 18 reports on audits related to activities of the Senate, House, Architect of the Capitol, and private organizations doing business on the Capitol grounds. We also issued staff papers and participated in various congressional hearings concerning legislative branch matters.

On the basis of audits made pursuant to section 451 of the Legislative Reorganization Act of 1970, we reported to the Congress on the financial statements of the Capitol Historical Society for the fiscal year ended January 31, 1976; the Majority Printing Clerk for the fiscal years ended August 31, 1974, 1975, and 1976; and the Minority Printing Clerk for the fiscal years ended September 30, 1974, 1975, and 1976.

CHAPTER FOURTEEN

INTERNATIONAL OPERATIONS

Responsibilities

The International Division audits all Government programs of an international character and those elements of departments and agencies administering these programs. This work includes reviews of U.S. participation in (1) international trade and monetary financial activities, (2) development assistance programs, and (3) foreign policy and security activities.

The division's work covers the Department of State, the Agency for International Development, the United States Information Agency, the Export-Import Bank of the United States, the Panama Canal Company, the Arms Control and Disarmament Agency, and international activities of the Departments of Agriculture, Commerce, Defense, and the Treasury.

J. Kenneth Fasick is the Director of the International Division, and the Deputy Director is Charles D. Hylander.

Overseas Operations

The division has a European Branch, based in Frankfurt, Germany; a Far East Branch, with headquarters in Honolulu, Hawaii, and an office in Bangkok, Thailand; and a Latin American Branch in Panama City, Panama. These offices extend the division's audit coverage of international programs to every continent and provide every GAO division with a worldwide audit capability. They also help conduct short, broad-based

country surveys, to provide firsthand observations on the status and future direction of Government policies and programs abroad. We use this information to identify potential problems and issues, plan our work, and assist congressional committees. In the past year such surveys were conducted in Kenya, Canada, and Mexico.

During fiscal year 1977, GAO staff members visited 32 countries in Europe, the Middle East, and Africa; 18 in the Far East; and 14 in Latin America and other areas.

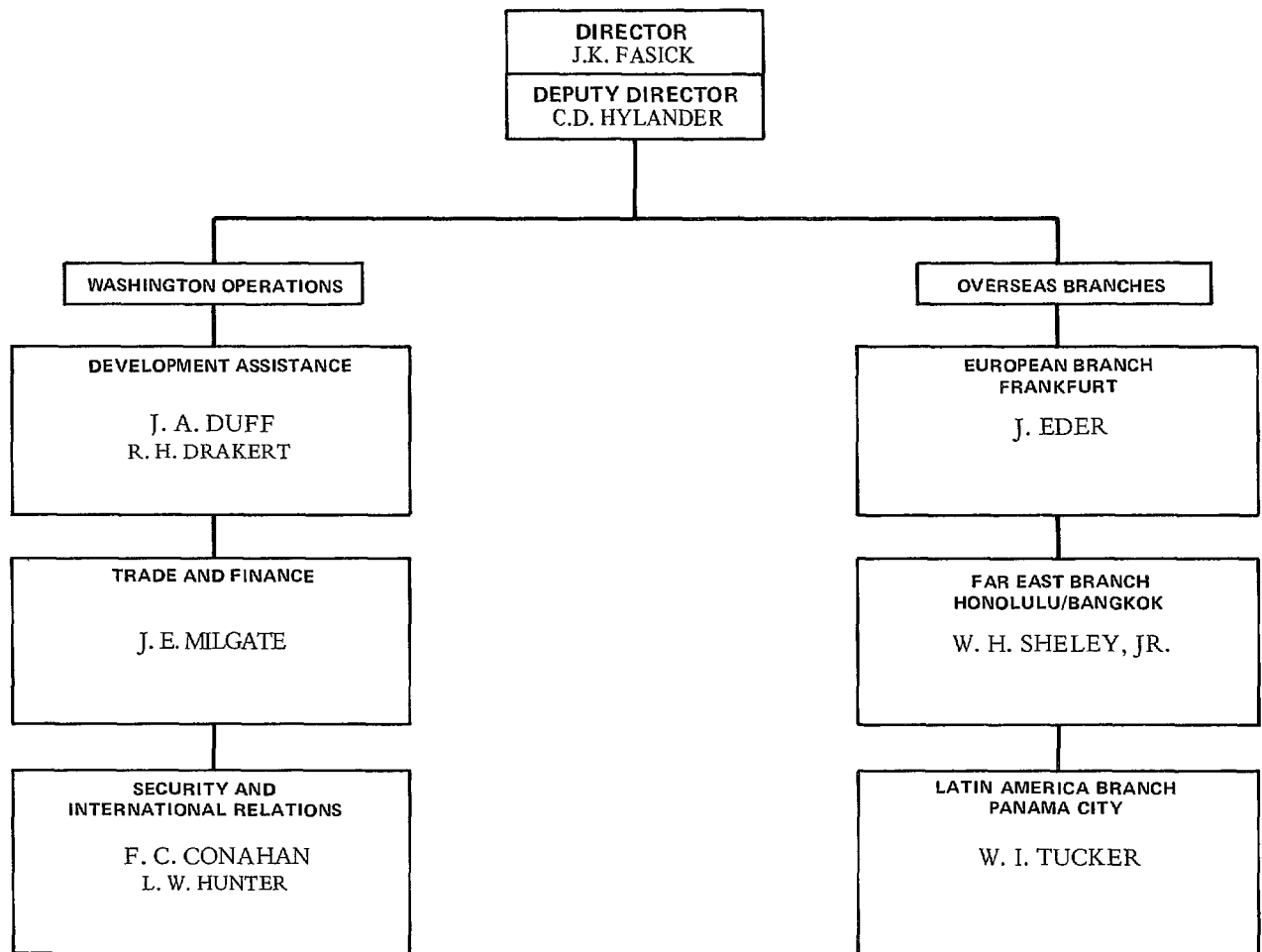
Audit Reports and Assistance to the Congress

In fiscal year 1977, 28 reports were sent to the Congress, 19 to congressional committees, 3 to individual Members of Congress, and 8 to agency officials.

Several reports proposed legislative action, and the Congress passed legislation related to recommendations in two of this year's reports. (See ch. 2.) During this fiscal year, representatives of this division testified on several matters, including the Foreign Gifts and Decorations Act, the Commerce Department's export promotion program, operating expense appropriations for the Peace Corps and international financial institutions, and the future of U.S. public diplomacy. In addition, 10 oral and 18 letter closeouts and 17 oral reports were provided in response to congressional requests.

Foreign Visitors

Each year many foreign visitors seek information about GAO's role and operations *vis-a-vis* executive and legislative branch activities. Many of these visitors are students sponsored by U.S. foreign assistance programs. During fiscal year 1977, GAO representatives met with individuals and groups from 34 countries and international bodies.



SEPTEMBER 30, 1977

International Trade and Finance

One of the most pervasive factors in international affairs is the growing economic interdependence of societies and nations. Over the past decade, world trade has expanded at the rate of 10 percent a year, with total exports approaching \$400 billion. Capital is flowing across national borders on a tremendous scale. With economies so closely meshed, the need is increasing for concerted action in many fields, including investments, economic policy, the monetary system, and trade.

In fiscal year 1977, we issued 10 reports to the Congress on international trade and finance; 4 were sent to committees and Members and 8 to agency officials.

Issues Surrounding the Management of Agricultural Exports

At the request of several Members of Congress and the Subcommittee on Investigations, Senate Committee on Government Operations, we reviewed (1) the circumstances of the Soviet Union's 1974 and 1975 grain purchases, (2) the Department of Agriculture's management of its export reporting system, (3) Agri-

INTERNATIONAL OPERATIONS

culture's forecasting of foreign supply and demand, and (4) agricultural export policy and related issues. As part of this effort, we sent about 300 exporters of U.S. grain a questionnaire requesting information on various aspects of grain export policy.

On June 24, 1976, we testified before the Senate Agriculture and Forestry Committee's Subcommittees on Foreign Agricultural Policy and on Agricultural Production, Marketing, and Price Stabilization and described the status of our ongoing review and our tentative findings.

The executive branch has taken numerous actions over the past 3 years to improve its information gathering, data analysis, and decisionmaking processes. But weaknesses cited in our 1973 report on Russian wheat sales and our 1974 reports on soybean and commodity shortages persist. Domestic and international disruptions associated with the 1973 soybean embargo and Russia's 1974 and 1975 grain purchases demonstrate a lack of fundamental change in the executive branch's agricultural export policy. Moreover, its efforts to forecast foreign grain supply and demand should be further upgraded.

We made 13 recommendations to the Secretary of Agriculture to improve and strengthen the Nation's food export policy machinery. We recommended that the Congress (1) enact legislation providing for an improved export reporting system that will provide early warnings of changes in supply and demand and (2) establish a food export policy that protects the interests of both producers and consumers, while providing an effective mechanism for dealing with surpluses and shortages. (ID-76-87, May 2, 1977.)

U.S. Import Restrictions: Alternatives to Present Dairy Programs

The United States is involved in multilateral trade negotiations authorized by the Trade Act of 1974. As prescribed by the act, U.S. negotiators are seeking reciprocal trade concessions leading to the development of an open and fair economic system.

A move toward liberalizing dairy trade could substantially reduce consumer and taxpayer costs for the highly protective dairy programs and would be consistent with existing international agreements and U.S. efforts to reduce trade barriers. A key consideration is the effect of such changes on the domestic dairy industry.

We recommended, therefore, that the Congress instruct the Secretary of Agriculture and other agencies to analyze and define viable alternatives or modifications to the present dairy programs, and to submit

them for congressional consideration. (ID-76-44, Dec. 8, 1976.)

Nationalizations and Expropriations of U.S. Direct Private Foreign Investment: Problems and Issues

The wave of nationalizations and expropriations of private foreign investments since World War II by the new and established countries of the developing world has generated serious concern in investing countries.

The success of efforts by several governments and organizations to protect private foreign investments against expropriation and nationalization is uncertain, mainly because of developing countries' objections. Also, some investing countries are unwilling to join in any unified effort that would appear to confront the developing world, which they depend on for raw materials and export markets.

Adequately protective treaties of friendship, commerce, and navigation are one way for the United States to better protect its private foreign investments in developing countries. (ID-77-9, May 20, 1977.)

The Investment Insurance Program Managed by the Overseas Private Investment Corporation

At the request of the Subcommittee on Multinational Corporations, Senate Foreign Relations Committee, we reviewed the insurance operations of the Overseas Private Investment Corporation.

Private participation in the Corporation's insurance operations has stemmed mainly from foreign insurance companies, because U.S. companies have been reluctant to participate in political risk insurance. It appears that 100 percent private participation, mandated by the 1974 legislation, will not be attained. This legislation must thus be amended or repealed.

Congress must consider four alternatives in determining the future of the Corporation's political risk insurance program: (1) continue to try for complete private participation, but provide deadlines more realistic than 1980, (2) modify the private participation provisions by recognizing the unlikelihood of ever achieving 100-percent participation, (3) abandon private participation, and (4) dissolve the Overseas Private Investment Corporation. Dissolving the Corporation would require that existing contracts be assigned to another agency for liquidation.

The Corporation's insurance of investments is concentrated in industrialized countries because of the limited investment opportunities in less developed

countries. Further, due partially to existing demand, the Corporation continues to provide most of its insurance to the larger corporations, which comprise a majority of those seeking Corporation insurance.

We found no evidence of unreasonable Corporation or Government involvement or influence in the claims settlement process. (ID-77-49, July 26, 1977.)

Certifying Workers for Adjustment Assistance— The First Year Under the Trade Act

In the Trade Act of 1974, the Congress expanded and liberalized programs for helping workers, firms, and communities adjust to changes in the pattern of international trade. In the first of several reports to the Congress on this adjustment, we examined Department of Labor procedures for handling worker petitions for assistance. In addition to recommending improvement of program guidelines and procedures, we recommended that the Congress modify the law to include more workers affected by increased import competition. (ID-77-28, May 31, 1977.)

Economic Sanctions Against Rhodesia

We reviewed the U.S. implementation of United Nations economic sanctions against Rhodesia, at the request of the Subcommittee on Refugees and Escapees, Senate Judiciary Committee. The economic and political endurance of Rhodesia for the past 11 years is evidence that the U.N. sanctions have not been completely effective. Rhodesia has been able to obtain and sell commodities, goods, and services.

Records of the U.N. Security Council are replete with charges of violation of the sanctions by companies and individuals in various countries. The United States has established mechanisms to enforce the sanctions and has acted against some of its businesses and individuals and against firms in other countries. (ID-77-27, Apr. 20, 1977.)

Audit Work in Process

At September 30, 1977, we were reviewing (1) U.S. trade adjustment assistance, compared with that of other developed countries, (2) international transfer of technology, (3) lending by international financial institutions to developing countries, (4) taxation of Americans overseas, (5) loan activities of the Agency for International Development, and (6) financial statements of the Overseas Private Investment Corporation and the Panama Canal Company.

Multilateral Development Assistance

Over the years there has been a trend toward channelling U.S. development and humanitarian assistance through multilateral organizations like the United Nations, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Food and Agriculture Organization, and the World Health Organization. The United States is the largest contributor to these organizations.

We completed five reports on multilateral assistance and institutions to congressional committees and one to the Congress.

Greater U.S. Government Efforts Needed To Recruit Qualified Candidates for Employment by U.N. Organizations

The success of U.N. organizations depends on the quality of their professional staffs. The United States thus has a major stake in the quality of U.N. employees, and it can help by providing highly qualified American candidates.

We reported previously that few Americans work for U.N. organizations and recommended improving the U.S. recruiting system, but the Department of State has done little to accomplish this. This year we discussed some of the problems encountered in locating and hiring Americans for U.N. organizations and made further recommendations for improving the U.S. recruiting system and increasing American professional participation in U.N. organizations. (ID-77-14, May 16, 1977.)

U.S. Participation in the World Health Organization Still Needs Improvement

Another report described the activities of the World Health Organization and discussed such current issues as a proposal to limit the budget growth of the United Nations and its specialized agencies and a World Health Assembly resolution to allocate 60 percent of its regular program budget to technical operations. It also identified the lack of clear U.S. policy objectives in the Organization and made recommendations to the Secretary of State to improve U.S. participation. (ID-77-15, May 16, 1977.)

Need for U.S. Objectives in the International Labor Organization

We reviewed U.S. participation in this specialized U.N. agency and (1) discussed the U.S. notice of in-

INTERNATIONAL OPERATIONS

tent to withdraw from the Organization, (2) questioned the U.S. Government's commitment to effective participation, (3) analyzed constraints against members influencing the Organization's budget, (4) pointed out the need to better evaluate its programs, and (5) recommended the development, coordination, and implementation of overall objectives for U.S. participation in the International Labor Organization. (ID-77-12, May 16, 1977.)

The United States Should Play a Greater Role in the U.N. Food and Agriculture Organization

U.S. financial support to the Food and Agriculture Organization was discussed in this report, which recommended specific U.S. actions to improve the Organization's programming, budgeting, and self-evaluation. To improve U.S. administration, the President should clarify the Secretary of State's responsibility for directing executive branch efforts and the Secretary of State should define precise U.S. objectives in the Food and Agriculture Organization and delineate functions and responsibilities of each U.S. agency, particularly the Agency for International Development (AID). We also recommended that the Secretary of State express concern over the Organization's recent inclusion of national development activities in its budget and reiterate U.S. policy that U.N. development activities should be financed by voluntary contributions and centrally programmed through the U.N. Development Program. (ID-77-13, May 16, 1977.)

The World Food Program—How the United States Can Help Improve It

The United States, as the largest contributor to the World Food Program, has a compelling interest in its success. We recommended that the Secretary of State and the other concerned agencies help the program establish long-range planning procedures, develop a system of priorities, and expand its audit coverage. (ID-77-16, May 16, 1977.)

U.S. Participation in International Organizations

This report summarized our overall evaluation, conclusions, and recommendations on U.S. participation in international organizations. We recommended that, by Executive order, the President (1) reaffirm the high priority that he accords to U.S. participation in

the U.N. family of organizations, (2) charge the Secretary of State with formulating and directing U.S. policy for participating in these organizations, and (3) direct the establishment of a Cabinet-level advisory committee to assist the Secretary of State in carrying out his responsibilities. (ID-77-36, June 24, 1977.)

Audit Work in Process

On September 30, 1977, we were reviewing the effectiveness of the evaluation systems in the World Bank and the Inter-American Development Bank.

Bilateral Development Assistance

U.S. bilateral assistance programs are designed primarily to address the problems of food and agriculture, population and health, and education and human development.

During the fiscal year, we completed nine reports on bilateral programs—five to the Congress and four to committees or Members of Congress.

Challenge of the World Population Explosion

This was the first in a series of reports to the Congress on world population growth and its impact on the quality of life in developing countries. It addressed population issues on a worldwide basis, relationships between population growth and economic and social development, the opinions of governments and others on population growth as a hindrance to development, and population-related activities, including those funded by the Agency for International Development. Although assistance has been expanded considerably since 1965, it still does not fulfill developing countries' needs. The challenge to population programs is to slow or reduce growth rates in developing nations, while improving the quality of life through social and economic development. (ID-76-68, Nov. 9, 1976.)

Need To Consider Population Growth in Sahel Development Planning

The United States is involved in a multibillion dollar, multidonor, long-range program to develop the region of Africa known as the Sahel. The working group teams drafting development strategies, and others involved, were not paying adequate attention to the implications of population growth. AID advised

us of plans to intensify its efforts to promote—among field missions, fellow donors, and Sahelian leaders—a better understanding of the wide range of activities under the heading “population,” and the relationship of these to the total development effort. (ID-77-40, June 17, 1977.)

Impact of Population Assistance to an African Country

Ghana’s population growth of over 3 percent is hindering development efforts. Per capita real income has been declining, domestic food production has not kept pace with growing demand, and the percentage of children in school that are eligible for assistance has been declining.

Although officials in Ghana have stressed the importance of integrating population projects with other development projects, little effective integration has taken place. We recommended that the Administrator of AID encourage (1) the examination of interactions among social and economic change, birth rates, and the types of development identified as having a maximum effect on birth rates and (2) the establishment of coordinating mechanisms for donors of population assistance. (ID-77-3, June 23, 1977.)

Nicaragua—An Assessment of Earthquake Relief and Reconstruction Assistance

In December 1972, Nicaragua was struck by a devastating earthquake. To assist in relief and reconstruction, AID and the international financial institutions provided assistance of about \$143 million.

This assistance helped meet immediate needs, but it could have been made more effective if all programs had been completed on time and adequate provision had been made for maintaining completed facilities. We also saw the need for greater coordination between the Agency and international financial organizations. (ID-77-25, Mar. 17, 1977.)

Consultants and Experts Employed by AID

The Agency for International Development spends about \$2.7 million a year on contracts for personal services and on intermittent employment of consultants and advisors. Our study disclosed several opportunities for improving its administration of these dealings.

The exemption of retired civilian employees who serve as experts or consultants from the laws govern-



Auditor Ray Plunkett (left) discussing World Bank earthquake reconstruction housing in Masaya, Nicaragua.

INTERNATIONAL OPERATIONS

ing the simultaneous receipt of compensation and retirement benefits is no longer necessary. We suggested that the Congress amend the authorizing legislation to eliminate the exemption. Such an amendment was enacted as a part of the International Development and Food Assistance Act of 1977. (ID-76-82, Dec. 27, 1976.)

Hungry Nations Need To Reduce Food Losses Caused by Storage, Spillage, and Spoilage

Developing countries have poor food storage facilities and practices. The food supply could be greatly increased if spillage, contamination, and deterioration could be reduced. We recommended that the U.S. Government agencies which administer foreign aid programs put more emphasis on adequate facilities and practices for preserving food, including self-help measures by recipient countries. They also should encourage other donor countries and development institutions to put more effort into reducing loss and coordinating loss reduction actions. (ID-76-65, Nov. 1, 1976.)

Restriction on Using More Fertilizer for Food Crops in Developing Countries

We reported to the Congress that developing countries could produce more food by using more fertilizer. Steps have been taken to produce more fertilizer, but its use is often hindered by national policies and institutional constraints.

We recommended that the Agency for International Development and other U.S. agencies work with other donors of fertilizer assistance to (1) induce recipient governments to revise policies that prevent increasing fertilizer use on food crops and (2) incorporate, where appropriate, a requirement in new development assistance agreements that developing nations take affirmative action to remove such constraints. (ID-77-6, July 5, 1977.)

Audit Work in Process

Reviews in process on September 30, 1977, included (1) a review of the administration and operation of the Peace Corps, (2) AID's procurement practices, operating expenses, and staff resource management, (3) the management and effectiveness of the Agen-



GAO auditor Ron Kushner (right) and Agency for International Development personnel inspect housing investment guaranty project in El Salvador.

cy's housing investment guaranty program, (4) the management and effectiveness of the Public Law 480, title II, food donation program, and (5) U.S. participation in an international long-range development program for the Sahelian countries of West Central Africa. We are developing reports on (1) credit aid to small farmers in Latin America, (2) research programs for increasing food production in developing countries, and (3) the challenge of meeting shelter needs in developing countries.

Security-Supporting Assistance

The basic objective of security-supporting assistance is to promote economic and political stability in countries friendly to the United States. The program has been used to provide budget support for foreign governments and more recently to fund economic development projects. In fiscal year 1977, \$1.7 billion was provided to 12 countries, principally in the Middle East.

Limited Egyptian Capacity To Absorb U.S. Assistance

This report discussed the purpose and effectiveness of U.S. security-supporting assistance to Egypt for various needs, such as food and commodity imports and development projects. Egypt's ability to absorb the substantial assistance made available is severely hampered by a number of constraints, including the lack of financial, managerial, and technical resources needed to plan, program, and implement development projects effectively. We suggested that the Congress consider providing hard-currency financing for the local costs of selected projects, to alleviate Egypt's financial problems in implementing U.S. projects. (ID-77-33, Sept. 15, 1977.)

Audit Work in Process

On September 30, we were reviewing U.S. security-supporting and other economic assistance to Israel.

International Security Commitments Abroad and Support for Other Nations

Since World War II, the United States has made multilateral and bilateral collective defense agreements with 43 countries. These agreements generally commit the parties to assist each other in the event of attack. U.S. commitments to these security arrangements, especially to the North Atlantic Treaty Organization (NATO), are a continuing concern. Congressional and public interest has centered mainly on the burden-sharing aspects of these commitments.

The United States is a major supplier of defense articles and services to eligible countries, principally through grants and sales. The emergence of a large-scale foreign military sales program raises many challenging policy questions about the military, political, and economic implications of overseas arms sales. Our work continues in this area in response to increased congressional interest in more closely monitoring various aspects of the program.

Observations on U.S. Forces in Korea

In this classified report, we examined the current and future role of U.S. forces in Korea. Although the presence of 42,000 U.S. troops in South Korea is consistent with U.S. policy objectives and performs

a vital role, the level and composition of these forces is under debate in the Congress and other public forums. (ID-77-37, Jan. 12, 1977.)

The United States and Japan Should Seek a More Equitable Defense Cost-Sharing Arrangement

Japan has prospered under the security provided by the U.S. defense umbrella and has progressed from a devastated country after World War II to an economic superpower, with the world's third largest economy and a gross national product of about \$500 billion. U.S. security commitments and force deployments contribute to Japan's most immediate security concerns—open sea lanes and a stable Korea.

By national policy, Japan's defense budget is restricted to less than 1 percent of its gross national product—less than that of any other major nation. Japan's financial support of the U.S. military presence there has been limited, and the United States continues to bear a heavy defense burden in Asia while experiencing chronic deficits in trade with Japan. We recommended that the Secretaries of State and Defense jointly reexamine possible cost-sharing methods and develop definitive plans for pursuing increased cost sharing by the Government of Japan. (ID-77-8, June 15, 1977.)

Observation on U.S. Military Presence and Base Negotiations in the Philippines

In this classified report to the Congress, we reported on negotiations that began in April 1976 for a new basing arrangement with the Philippines, a major site of U.S. military deployments in Southeast Asia. Recent events in Thailand and Turkey demonstrate the difficulties of maintaining U.S. bases overseas. The executive branch, however, considers the bases at Clark and Subic Bay in the Philippines important to U.S. interests.

A U.S. proposal for a 5-year, \$1 billion compensation package, divided evenly between military and economic assistance, was rejected by the Philippine Government in December 1976. Philippine officials desire either military assistance only or direct rental payments. Philippine negotiators are also seeking greater control over U.S. operations. Changes in the present agreement will likely reduce U.S. control over operations, decrease the bases' value for contingencies, and increase costs. Since the Congress will probably be asked to approve a multiyear assistance program as part of an agreement with the Philippines, con-

INTERNATIONAL OPERATIONS

cerned congressional committees will need detailed briefings on the negotiations as they proceed. (ID-77-5, July 1, 1977.)

An Evaluation of the U.S. Early Warning System in the Sinai

To maintain the momentum of negotiations between Israel and Egypt following the 1973 Middle East War, the U.S. proposed establishing a U.S.-staffed early warning system in the Sinai. This proposal was accepted by the parties and subsequently approved by a joint resolution of the Congress.

As part of its commitment to the Sinai disengagement agreement, the United States provided \$13 million worth of technical assistance to Egypt to begin building a surveillance station in the Sinai. The United States also contributed \$10 million in equipment to help the United Nations meet its expanded responsibilities in the area.

Sinai operations were in compliance with the joint resolution and were implemented in accordance with the Sinai proposals. We noted several problems in logistics and management, however, and lessons learned might one day be applied to similar situations resulting in savings and improved efficiency. (ID-77-11, June 6, 1977.)

Two Coproduction Programs—the F-5E Aircraft in Taiwan and the M-16 Rifle in the Philippines

In a classified report to the Congress, we discussed the major issues and the economic impact of two coproduction programs—the F-5E aircraft, with Taiwan, and the M-16 rifle, with the Philippines—and how the programs are meeting intended goals.

With the aircraft coproduction, Taiwan is gaining moderate technological ability; by U.S. standards, this technology is about 10 years old. Also, many of the parts are still manufactured in the United States.

The financial impact of the rifle coproduction project on the Philippine economy is positive. The outflow of foreign exchange has decreased, and program expenditures for Philippine goods and services are helping the local economy.

Neither program transfers technology that is advanced compared to that possessed by other industrialized countries. Controls over transfers of materials or products of these projects to other countries, although passive, appear to be appropriate. U.S. labor has not suffered, and the projects earn economic benefits for the United States. (ID-76-84, June 6, 1977.)

Audit Work in Process

At the end of the fiscal year, we were reviewing (1) U.S. and allied contributions to NATO, (2) the U.S. role in the Organization's purchase of an airborne early warning system, (3) full-cost recovery concepts for foreign military sales, and (4) military sales programs in African nations. In addition, we were assisting another division in answering a congressional request on trust funds for foreign military sales. In the coming year we plan to start a worldwide review of Defense Mapping Agency activities and a followup review of the military advisory and assistance programs.

Nuclear Nonproliferation and Other Arms Controls

The Departments of State and Defense, the Energy Research and Development Administration, and the Arms Control and Disarmament Agency are addressing the danger of nuclear weapons' proliferating because of peaceful nuclear technology growth around the world—an urgent concern to U.S. arms control policymakers.

U.S. Nuclear Nonproliferation Policy: A Comparison of GAO and Executive Branch Positions

Our report to the chairmen of several Senate and House committees compared the Ford administration's assessment of problems in controlling the worldwide spread of nuclear weapons, and its proposed solutions, with ours. Our recommendations were designed to (1) strengthen U.S. nuclear agreements with other nations, (2) upgrade international nuclear safeguards, (3) assure that safeguards are effectively implemented, (4) establish a central point within the Government to control nuclear exports, and (5) identify issues to be included in the proposed international convention on physical security. The Ford administration did not plan to take some of the corrective actions we considered necessary to further U.S. nonproliferation objectives. (ID-77-7, Jan. 6, 1977.)

Alternative Methods for Funding U.S. Support of International Atomic Energy Activities

We reported to the Chairman, Subcommittee on Nuclear Proliferation and Federal Services, Senate Committee on Governmental Affairs, that various al-

ternatives for financing U.S. support to the International Atomic Energy Agency, especially its safeguards program, would encounter either legal or practical difficulties. Sources of revenue considered were surcharges on uranium enrichment services, nuclear equipment and material, and the operation of U.S. nuclear power reactors. We did not recommend that the current method of funding U.S. support of the Agency be changed, since each alternative had disadvantages and any changes from the present method might set a precedent and create pressure for funding other international organizations through separate schemes. We pointed out that the current system provides for congressional oversight with no special effort required to collect the funds. (ID-77-20, May 5, 1977.)

Audit Work in Process

Audit work in process at yearend included reviews of (1) peaceful nuclear export policies and major supplier nations, (2) international transfers of weapon-grade nuclear materials, (3) nuclear engineering training of foreign nationals in the United States, and (4) the arms control impact statement process.

Conduct of Foreign Affairs

The Department of State helps the President make and execute U.S. foreign policy. It consults other countries about our overseas interests, negotiates treaties and agreements with foreign nations, and represents the United States at international conferences (estimated at more than 1,000 in fiscal year 1977).

Actions Recommended To Make the Foreign Gifts and Decorations Act More Effective

In 1975 we recommended to the Congress and the Secretary of State legislative and administrative changes to strengthen the administration of the Foreign Gifts and Decorations Act, which prohibits U.S. Government employees from soliciting gifts and decorations from other governments and discourages the acceptance of unsolicited gifts and decorations. At the start of our most recent review, however, our recommendations had not been acted on. Our followup report stressed the continued need for action so that the letter and spirit of the law would be carried out.

On August 17, 1977, Public Law 95-105 amended the provisions that deal with foreign gifts and decorations (5 U.S.C. 7342), accomplishing the intent of our recommendations. (ID-77-31, June 23, 1977.)

Results of the Third Law of the Sea Conference, 1974 to 1976

On March 6, 1975, we issued our first report to the Congress on the Law of the Sea Conference, covering primarily the session held in Caracas, Venezuela, from June 20 to August 29, 1974. The report was entitled "Information on United States Ocean Interests Together With Positions and Results of Law of the Sea Conference at Caracas" (ID-75-46).

On June 3, 1977, we reported to the Congress on the current status of the issues before the third Law of the Sea Conference, including U.S. positions as they stood before the Conference session held in New York during the period May 23 to July 15, 1977.

The report covered such issues as deep seabeds, territorial seas and straits, economic zones, marine environment protection and preservation, marine scientific research, and dispute settlement. (ID-77-37, June 3, 1977.)

Need To Improve Foreign-Language Training Programs and Assignments for Department of Defense Personnel

The Department of Defense requires many personnel with foreign-language skills and conducts an extensive training program to meet this need. In a January 1973 report, we identified several areas in which the Department needed to improve its language training program and assignment procedures. A report this year to the Secretary of Defense noted the persistence of weaknesses and recommended improvements. (ID-76-73, Nov. 24, 1976.)

United States Participation in INTERPOL, the International Criminal Police Organization

INTERPOL provides the coordination and communication channels that the police of its 125 member nations use to make criminal inquiries across national borders. Requests to the United States for information were usually made after a crime had been committed or an individual arrested. Most requests involved individuals with no prior criminal records. Requestors often did not furnish adequate documentation to support their requests and, for the most part, the United States was not told of the outcome of the foreign cases after information was sent abroad.

We recommended that U.S. officials responsible for INTERPOL activities (1) improve their handling of information requests, particularly insisting on adequate documentation, (2) encourage participants

INTERNATIONAL OPERATIONS

abroad to report case disposition, and (3) screen information sent abroad to make sure it is relevant and appropriate. (ID-76-77, Dec. 27, 1976.)

Audit Work in Process

Our yearend audit work in process included reviews of (1) U.S. activities in Antarctica, (2) U.S. consulate functions, (3) the State Department's management of overseas real estate, and (4) U.S. participation in the International Joint Commission.

U.S. Public Diplomacy

Opportunities for public diplomacy—which includes information dissemination, international broadcasting, educational exchanges, and cultural relations—to serve the national interest are growing. The new international environment suggests developing a more cooperative world system. The United States must see that its values, purposes, and policies are correctly understood by the rest of the world and must consider the legitimate interests of other nations.

Public Diplomacy in the Years Ahead—An Assessment of Proposals for Reorganization

This report to the Congress analyzed a series of proposals by the Stanton Panel on International Information, Education, and Cultural Relations for a major reorganization of U.S. public diplomacy. We recommended consolidating within the U.S. Information Agency the cultural functions of that Agency and the State Department's Bureau of Educational and Cultural Affairs. We advised against adopting the panel's other main proposals because they would impair the

value of the Voice of America, reduce effective coverage of U.S. policy information abroad, and fragment U.S. field operations. We also proposed certain steps to improve the working relationship between the State Department and the Voice of America and suggested that State and the Information Agency work out a comprehensive new statement of mission and methods for modern public diplomacy. The Foreign Relations Authorization Act for Fiscal Year 1978 called on the President to take our report and three other studies into account in submitting his reorganization recommendations. (ID-77-21, May 5, 1977.)

Other Activities

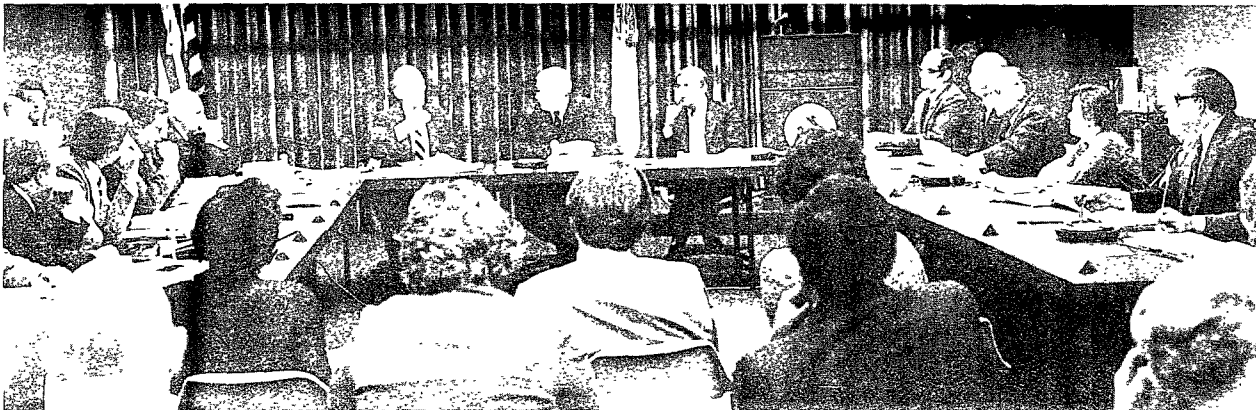
We sponsored a symposium on December 14, 1976, on the role and effectiveness of international exchange programs. Twelve distinguished individuals from the Government, private organizations, and academic institutions served as a panel to provide valuable perspectives of the problems, conflicts, and interactions associated with international educational and cultural exchanges. Their views served as a guide for planning future reviews.

Testimony

On June 8, 1977, we testified before the Subcommittee on International Operations, House Committee on International Relations, on the future of U.S. public diplomacy.

Audit Work in Process

Work in process at the end of the fiscal year included reviews of (1) the need for a central inventory system to manage international exchange programs, (2) international area and language study programs, and (3) the East-West Center.



Panel for GAO-sponsored symposium on the role and effectiveness of international exchange programs.

CHAPTER FIFTEEN

CLAIMS SETTLEMENT AND ADJUDICATION

Responsibilities

The Claims Division settles and adjudicates claims and demands by or against the United States, helps the Department of Justice in prosecuting or defending suits to which the United States is a party; and reviews, evaluates, and reports on the claim settlement and debt collection activities of Government agencies, helping them improve their effectiveness in these activities.

The Claims Division carried out these functions with a staff of about 150 professional and clerical personnel. The Director is Daniel P. Leary, and the Deputy Director is John P. Gibbons.

Debt Claims

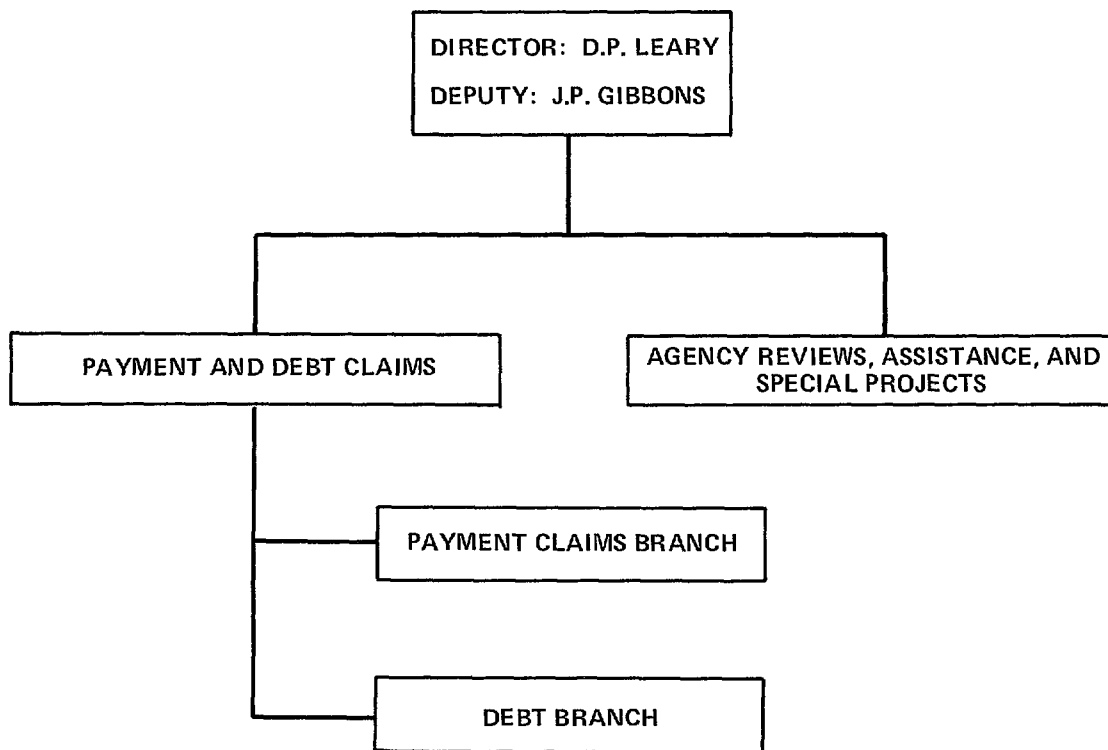
Government agencies are responsible for collecting debts arising from their activities. The agencies may, however, turn to us for help on valid debts they cannot (1) collect, (2) get compromises on, or (3) suspend or terminate. Agencies may also submit debt claims when doubt exists concerning the amount due, the legal liability of the parties involved, or the action to be taken. We also adjudicate disputed claims against debtors when they, their representatives, or the involved agencies ask us.

For claims referred to GAO for collection, we try to locate debtors, issue demands for payment, and explain the debts in detail upon request. Debtors who cannot pay their debts in one payment may make monthly installments commensurate with their ability to pay. We will also accept compromise settlements if we determine such settlements to be in the best interests of the United States. For bankrupt or deceased debtors, we prepare "proofs of claim" which U.S. attorneys file to insure that the Government's interests are protected when assets are distributed or estates settled. Whenever feasible, we offset current amounts due from the United States to satisfy claims due the United States. When a debtor is receiving current or retired pay from a Government agency, we request collection assistance from the agency.

When a financially able debtor does not voluntarily pay, we refer the case to the Department of Justice for suit. We gather all pertinent documentation and prepare a Certificate of Indebtedness that U.S. attorneys use as a supporting document when filing suit. We also provide followup assistance whenever necessary.

On October 1, 1976, 47,873 claims by the United States were on hand at or under referral to the Department of Justice. During the year we disposed of 46,698 debt cases and collected over \$8 million. On September 30, 1977, 82,769 claims were on hand at or under referral to the Department of Justice. Of these, we had 14,775 claims under collection, representing accounts receivable of \$12.8 million, and Justice had 2,836 claims under collection, representing \$2.7 million.

We are authorized to arrange compromise settlements on claims not exceeding \$20,000, exclusive of interest. Compromise offers involving larger claims are referred to the Attorney General with our recommendations for disposition. Compromise settlements we accept are final and conclusive on the debtor and on all U.S. officials, agencies, and courts. We made 592 compromise settlements in which \$438,855 was accepted, liquidating debts totaling \$845,948.



SEPTEMBER 30, 1977

Agency heads are authorized to waive claims for erroneous payments of pay and allowances for certain claims involving less than \$500; only we can waive larger claims. On the basis of agencies' investigations and recommendations, we waive claims if their collection would be unfair, unconscionable, and not in the best interests of the United States. These criteria are generally met if the erroneous payments of pay or allowances occurred because of administrative error and if no indication of fraud, misrepresentation, fault or lack of good faith exists on the part of the claimant.

We processed 1,599 requests for waiver of erroneous payments of pay or allowances totaling \$2,341,097. We granted waiver requests for the full amount in 934 cases, amounting to \$1,269,068, and denied 475 requests totaling \$745,344. In the remaining 190 cases, waiver was granted in part for \$196,077 and denied in part for \$130,611.

Payment Claims

The Payment Claims Branch is responsible for adjudicating claims against the United States that are reported to us directly by claimants or are referred

by Government agencies. Most claims concern doubtful legal or factual matters that the originating agency cannot resolve, but some are claims which we are legally bound to adjudicate before agency payment. We also certify for payment judgments rendered against the United States in the Court of Claims and Federal district courts.

Claims arise from many sources. Members of the Armed Forces and civilian employees of the Government may file claims for promotions, salary adjustments, overtime compensation, and travel and transportation expenses. Amounts due a deceased military or civilian employee may be claimed by the decedent's heirs. Individuals or firms under contract with the Government may file claims if they feel the Government has violated the terms of a contract or for amounts the Government has set off from the final payment due on a contract. In addition, individuals or firms providing services and goods to the Government without the benefit of contract may file claims. Although most claims we have considered have accrued because of actions within recent years, claims have also been filed for horses shot during the Civil War and, in one instance, for the loss of a merchant ship during the War of 1812. (A little-known function of ours is to issue a monthly Certificate of Settle-

ment to cover the President's salary and expense allowance.)

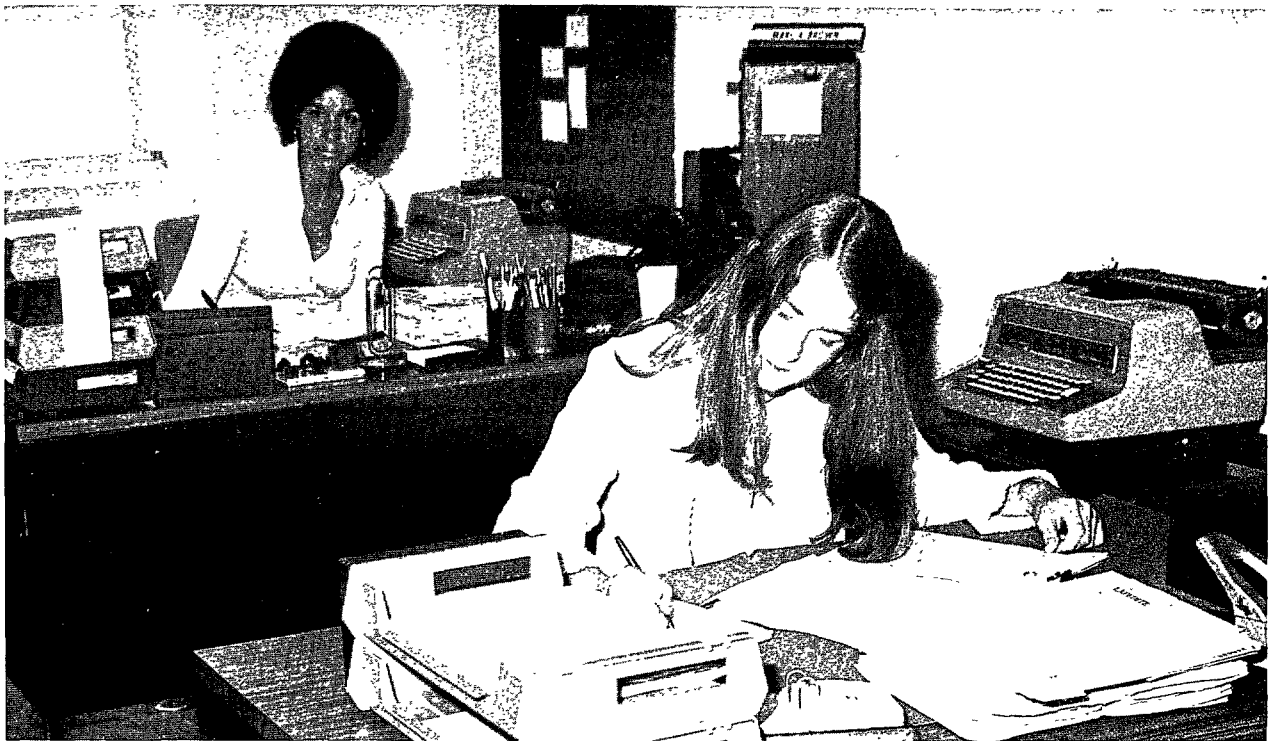
On October 1, 1976, we had on hand 3,725 claims against the United States. During the 12-month period ended September 30, 1977, we received 6,739 claims and settled 6,913. The total amount allowed on the settled claims was \$165.6 million. As of September 30, 1977, 3,551 claims remained on hand. We took final action on 471 additional claims that were barred because of the applicable statute of limitations on filing claims with us.

Much of our current payment work involves so-called "March" judgments, awarded pursuant to a district court decision in a class action involving approximately 23,000 current and former overseas teachers employed by the Department of Defense. The court held that Defense had not computed pay in accordance with the law and that teachers in the Overseas Dependents School System were entitled to back pay from April 14, 1966, to the end of the 1974-75 school year. Because of processing difficulties, the matter required unusual coordination with the Department, plaintiff's counsel, and our Office of the General Counsel. The judgments, which require a meticulous verification of figures before they may be certified for payment, are expected to total \$70 to \$80 million.

Comptroller General decisions sometimes create new categories of claims. In several recent decisions the

Comptroller General has held that Government employees detailed by their agencies to higher graded positions, for extended periods without Civil Service Commission approval, were entitled to retroactive temporary promotions if certain conditions were met. Since these decisions were widely publicized in newspapers and employee publications across the country, many "Turner-Caldwell" claims have been submitted to agencies and to us. Although these claims are properly for consideration by the agency involved, many have been sent to us because of doubtful legal issues or on appeal by employees whose claims have been disallowed by their agencies.

We also adjudicate the transportation industry's loss and damage claims. For example, when the household goods and personal effects of transferred Federal employees and military members are moved at Government expense, the United States contracts directly with a commercial carrier. If the goods are damaged en route, the Government reimburses the employee or member for the assessed damage and sets off this amount from the total due the carrier, who then can file a claim for the amount set off. In determining the carrier's liability, we must analyze the arguments and substantiating documentation presented by the carrier and the Government and decide whether the Government followed proper procedures.



Adjudicators Marcia Brown and Terri Hurst work on "March" judgments.

CLAIMS SETTLEMENT AND ADJUDICATION

The war in Vietnam has resulted in many claims. For example, the evacuation of U.S. and Vietnamese personnel from Saigon generated claims against the United States by Federal employees stationed in Vietnam, Vietnamese nationals employed by the United States, and firms under contract to the United States. Many of these claims were filed by evacuated Vietnamese nationals who turned in piasters to the U.S. Embassy in Saigon just before the evacuation and were claiming the value of the piasters in U.S. dollars.

Also resulting from the war in Vietnam are claims submitted by wives of military personnel missing in action and subsequently declared dead. Questions of entitlement to accrued pay and allowances arose when the wife remarried, either with or without benefit of divorce, while the serviceman was missing in action. These claims usually have involved large amounts that are claimed not only by the wives but also by other potential heirs of the deceased.

Another Vietnam war product was President Carter's amnesty program, under which many former military members had their original discharges upgraded to "honorable." This correction has entitled some to additional travel allowances, mustering-out pay, and payment for unused accrued leave. It has also resulted in some complicated claims, such as those in which the applicable pay records have been lost or destroyed.

Since a Supreme Court ruling in May 1973, women in the military no longer must prove that dependents claimed for travel and other allowances are actually dependent on the member for over one-half of their support. The elimination of this prerequisite, never demanded of male members, has resulted in claims from female members for retroactive payments of allowances which they were entitled to but did not receive in the past.

Agency Reviews and Assistance

The Federal Claims Collection Act of 1966 and the implementing Claims Collection Standards require agencies to collect debts promptly and, when appropriate, to explore compromises and suspend or terminate the debts. However, when *routine* collection efforts have not been successful, the debts often have been reported to us for further collection action and possible referral to the Department of Justice. Our experience with processing these debts has been that the agencies themselves could, and should, have collected, compromised, or terminated many of them. We feel that the agencies could get the same results we get if they try a little harder; moreover, this would result in fewer cases referred to us and faster processing of same.

To this end, we have been trying to make agencies' collection programs more effective and self-sufficient. This will shorten the collection pipeline because all appropriate collection action (including any referrals to the Department of Justice) will be made by the agency in which the debt arose. Also, the agency will be able to serve notice of possible referral of debts directly to the Department of Justice, greatly strengthening the agency's leverage with recalcitrant debtors and maintaining continuity in collection actions. Finally, the Government's collection efforts will be more efficient, effective, and prompt, thereby reducing the potential for problems with the 6-year statute of limitations.

Our Agency Reviews and Assistance staff typically takes the following steps in promoting agency self-sufficiency and direct referral:

1. Evaluates the agency's collection system and implementation of needed improvements.
2. Screens cases prior to referral to us to determine appropriate disposition of those that have not been collected through routine collection actions.
3. Instructs agency personnel in preparing the documentation required for legal action.

When an agency shows it is able to select and document cases that warrant legal action, it is authorized to refer debts directly to the Department of Justice. Thereafter, our primary role is to provide general oversight and assistance to the agency.

Veterans Administration

Over 90 percent of the total debt claims referred to us during the year involved overpayments of Veterans Administration educational benefits. We are working closely with VA to improve its collection system and to develop new criteria for referring debt claims to us and for terminating and suspending debt cases. The Administration recently agreed that by March 1, 1978, it will assume full responsibility, including referral to the Department of Justice, for processing debts arising from these overpayments.

Military Services

Preparing Certificates of Indebtedness for military debts is especially difficult because of the complexity of military pay and the variety of overpayment situations. We have been working with each major military finance center to strengthen its debt-collection program and to help it assume more responsibility for collecting its debt claims, including direct referrals to the Department of Justice. On June 20, 1977, the Navy was authorized to refer certain types of debt claims to the Department of Justice. We have initi-

ated similar programs with the Army, Air Force, and Marine Corps and hope to extend further authority for direct referrals in the near future.

Medicare

In the past 6 years, we have handled over 1,200 debt claims resulting from Medicare overpayments. Many of these claims, averaging over \$50,000, have been referred to the Department of Justice for enforced collection. We are currently teaching our referral techniques to personnel in the Department of Health, Education, and Welfare which will assume responsibility for direct referral in the near future.

Office of Education

In August 1977 we reported to the Secretary of Health, Education, and Welfare that, by the end of fiscal year 1977, the Office of Education will have paid about \$436 million to lending institutions under the guaranteed student loan program because of defaults on student loans. Through that date, collections from students will total only about \$33.8 million, leaving over \$400 million in potential losses to the Government. Collectors, who cannot handle their present workloads, can expect even larger, less manageable workloads. Meanwhile, the older cases require prompt action because of the 6-year statute of limitations.

We recommended changes in policy and emphasis to improve collection efforts and to reduce workloads (by terminating action on cases with little or no collection potential). These recommendations included establishing a system for monitoring regional collection activity and improving techniques for collecting from former and current Federal employees.

We also recommended that the Office expand a program, operating in several OE regions, in which many defaulted student loan cases are being referred directly to U.S. attorneys for litigation. This program has resulted in more prompt legal action and a dramatic increase in voluntary payments because of debtor awareness that OE is referring cases to the Department of Justice. (CD-77-1, Aug. 11, 1977.)

Special Projects

During the past 2 years, we have been automating and streamlining our claims processing system. In 1976 we converted to microfilm about 10 million manually maintained records used to cross-reference claimant names, case numbers, and case locations. We also put all our active cases into a computerized system with on-line capability to locate cases by name, social security number, or claim number. We have also started other projects to improve our processing of claims.



Mary McRae and Larry Gusman review automated accounts receivable reports.



Deanna Kay Dove using automated text-editing typing equipment in the word processing center.

Automation of Accounts Receivable

In March 1977 we began implementing an automated accounts receivable system which eliminates the need for manual posting of payments; issues monthly statements, including delinquency notices, to all debtors; and provides user and management reports for followup and analysis.

Word Processing Center

In July 1977 we established a word processing cen-

ter which, when fully operational, will serve most of the division. The center, using the latest in automated equipment, can produce more and better work, partly because its typing capability eliminates the peak-and-valley work demands on individual typists. Also video screens and memory apparatus are useful for work involving original compositions requiring extensive revisions and for high-volume, frequently used, standard text material.

CHAPTER SIXTEEN

FIELD OPERATIONS

Responsibilities

The Field Operations Division, through its regional offices in 15 cities, provides direct audit support throughout the continental United States for GAO's other operating divisions. Thus, this division plays a major role in most of the audits and other work described in previous chapters of this report. In addition, it performs audits for 16 corporations and other organizations under the Government Corporation Control Act and similar legislation. It also audits and settles the accounts of military disbursing officers.

About half of GAO's professional staff is assigned to the regional offices. This division is led by Stewart D. McElyea, Director, and Walter H. Henson, Deputy Director. The locations and managers of GAO field offices are shown in appendix 7.

Audits of Federal Corporations and Other Activities

The Government Corporation Control Act requires GAO to audit the financial transactions of Government corporations "in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General * * *." Other laws provide similar audit responsibility for unincorporated business activities.

The corporations and other activities for which this division has audit and reporting responsibilities are:

Bureau of Engraving and Printing
Disabled American Veterans
Federal Crop Insurance Corporation
Federal Deposit Insurance Corporation
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Prison Industries, Incorporated
Federal Savings and Loan Insurance Corporation
Government National Mortgage Association
Government Printing Office revolving fund
National Credit Union Administration
Pennsylvania Avenue Development Corporation
Rural Telephone Bank
Saint Lawrence Seaway Development Corporation
Student Loan Insurance Fund
Veterans Canteen Service

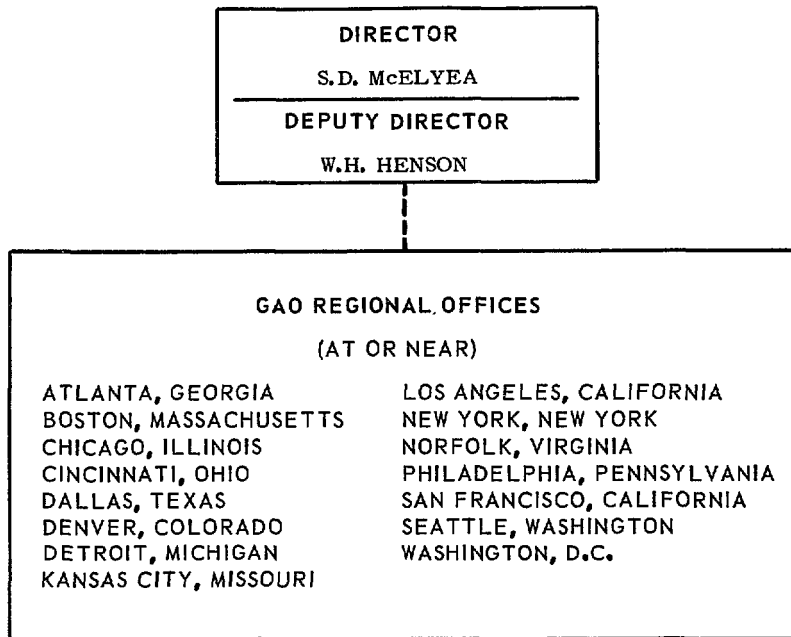
Audits of these activities consist primarily of examining their accounts and financial statements and related operations. By the end of the fiscal year, we had prepared nine reports to the Congress, expressing opinions on whether financial statements presented fairly the agencies' positions and operating results.

Six reports of opinions on financial statements and recommendations for improving financial management were addressed to agency officials. These reports are included in the list of audit reports in appendix 2.

Changing Ownership of Mutual Savings and Loan Associations

Public Law 93-495 permitted the Federal Home Loan Bank Board to approve a limited number of savings and loan association conversions from a mutual to a stock form of ownership. The limitation, which expired on June 30, 1976, allowed the Congress to assess, experimentally, whether conversions were consistent with the public interest. At the request of the Chairman, Senate Committee on Banking, Housing, and Urban Affairs, we reviewed 8 of the 22 associations that had been converted.

We recommended that the Congress renew the limit on conversions through September 30, 1979. Addition-



SEPTEMBER 30, 1976

al time is needed to monitor the conversion process, refine regulations, and further assess the impact of conversions on the savings and loan industry. (FOD-77-10, May 10, 1977.)

National Credit Union Administration

In our examination of the financial statements of the National Credit Union Administration for fiscal years ended June 30, 1976 and 1975, we qualified our opinion on the Administration's share insurance fund because the valuation of certain assets could not be verified and because certain expenses were charged directly to retained earnings rather than expense. The Administrator has agreed to resolve the problems noted. (FOD-77-6, May 23, 1977.)

Pennsylvania Avenue Development Corporation

The Pennsylvania Avenue Development Corporation was created in 1972 to prepare and implement a plan for redeveloping the area adjacent to Pennsylvania Avenue between the Capitol and the White House. The Corporation's Board of Directors approved a development plan and presented it to the Congress on November 19, 1974. Our report to the Congress stated that financial statements presented fairly the Corporation's position at June 30, 1975, and Septem-

ber 30, 1976, and conformed to the principles and standards of accounting prescribed by the Comptroller General. (FOD-77-4(a), July 20, 1977.)

Student Loan Insurance Fund

The fiscal year 1975 financial statements of the Student Loan Insurance Fund did not fairly present its position at June 30, 1975. Our report contained suggestions for improving financial data and increasing program income. The Department of Health, Education, and Welfare agreed with all of our recommendations except one—to change its method of charging insurance premiums. (FOD-76-23, Feb. 10, 1977.)

Federal Prison Industries, Incorporated

During fiscal year 1976, 58 shops and factories were operated by this corporation at 25 Federal institutions to give inmates an opportunity to obtain training in marketable skills and avoid idleness. Industries ranged from the manufacture of gloves, brushes, and brooms to automatic data processing and printing services. Total industrial employment for the year averaged 5,423, or about 20 percent of the total inmate population.

The corporation reorganized its operations in 1975 along product lines. Each product line is now an

operating division with a manager. The corporation also altered its treatment of certain costs related to these product lines—such as sales, administration, and production. These costs, previously considered administrative expenses, are now accounted for as direct product costs and ultimately expensed as an element of the cost of goods sold. Before this new treatment, with which we concur, administrative expenses were subject to an annual congressional limitation. (FOD-77-3, May 31, 1977.)

Audit Work in Process

At the year's end, we were auditing the Federal Deposit Insurance Corporation's financial statements for fiscal year 1976. For the first time since 1964, we expect to be able to give an unqualified opinion, because the Chairman has granted us access to bank

examination reports and related records of insured banks. We were previously denied access to such information.

Audits of Military Pay and Allowances

Our staffs at the four military finance centers—Cleveland (Navy), Denver (Air Force), Indianapolis (Army), and Kansas City (Marine Corps)—tested the accuracy and legality of pay and allowance disbursements by military disbursing officers throughout the world. As a result of this work, military commanders received 33 reports on the accuracy of payments, covering such subjects as an erroneous leave and rental charges, travel and temporary lodging allowance payments, and finance center operations, as well as the functioning of the services' Joint Uniform Military Pay Systems. These reports are included in the list of audit reports in appendix 2.

CHAPTER SEVENTEEN

ADMINISTRATION

Management Services

The Management Services Organization has Office-wide responsibility for personnel development and services, including Upward Mobility, publishing, organization and management planning, libraries, budget and financial management, and numerous administrative services. This organization is headed by Clerio P. Pin, Director.

Personnel Management and Development

The Office of Personnel Development and Services

- establishes staff positions consistent with civil service law, policies, and standards,
- recruits and staffs these positions with qualified employees,
- processes all types of personnel actions,
- establishes and maintains employer-employee relationships that contribute to satisfactory productivity, motivation, morale, and discipline, and
- performs related personnel management services.

The Acting Director of the office is Philip Bernstein.

Staffing

Our staff is composed of professionals with a wide range of academic backgrounds and experience.

We also have two summer intern programs that employed 16 second-year law students and 37 students working toward their master's degrees and a Faculty Fellowship program that recruited professionals from

the academic community for specific projects. The latter is a mutually beneficial program: faculty members benefit from learning the professional, technical, and administrative problems of the Government, while the Government benefits from the professionals' fresh approaches to these problems. The nine persons participating in the program this year were from:

- Duke University.
- New England Board of Higher Education.
- Shippensburg State College.
- Syracuse University.
- Tufts University.
- University of Massachusetts.
- Vassar College.
- Wayne State University.

Table 1

ANALYSIS OF STAFF CHANGES

Fiscal Year 1977

	Profes- sional	Other	Total
Employees on rolls at Oct. 1, 1976	4, 142	1, 209	5, 351
Appointments	218	437	655
Transfers between categories	29	—29	0
Total	4, 389	1, 617	6, 006
Separations:			
Retirements	46	25	71
Transfers to other agencies	114	58	172
Other separations	144	287	431
Total separations	304	370	674
Employees on rolls at Sept. 30, 1977 ¹	4, 085	1, 247	5, 332
¹ Includes:			
Permanent, full-time employees	4, 026	1, 027	5, 053
Permanent, part-time employees	7	16	23
Students and other temporary employees	52	204	256

Table 2
COMPOSITION OF STAFF
 (on rolls at Sept. 30, 1977)

Professional:	Total
Accountants and auditors	2,496
Business administration/management	630
Attorneys	126
Actuaries and other mathematical scientists	111
Claims adjudicators/examiners	73
Engineers	27
Computer and information specialists	57
Economists and other social scientists	232
Personnel management specialists	43
Transportation specialists	12
Other	278
Total professional staff	4,085
Other:	
Administrative and clerical	1,185
Wage board	62
Total other staff	1,247
Total	5,332

Many of the secretaries and technicians hired for our support staff had completed 2- or 4-year college programs or were employed through cooperative work programs negotiated between GAO and various educational institutions.

Our Upward Mobility program gives employees in limited-advancement positions a bridge to various pro-

fessional and paraprofessional positions, including management auditor, claims adjudicator, budget analyst, computer technician, editor, and personnel specialist.

During the year 21 employees, selected competitively, were in the program. In addition to receiving on-the-job training and counseling, most participants are enrolled in college-level courses to augment their skills. GAO pays course-related expenses for these individuals and allows them time off for classes. Six employees completed the program and were assigned to professional positions during the year.

Assignments

GAO's increasingly diverse and complex responsibilities require staff members having functional expertise, supervisory capability, and versatility. Our career management system helps the Office meet these responsibilities while allowing professional and support staff members to further their career objectives.

In furthering their career objectives, professional staff members can get wide experience and broaden their own perspectives of GAO operations by auditing diverse Federal programs, or they may remain in a functional area to expand their expertise. GAO considers its own needs and the individual's in making assignments. During the year 432 professional staff members were reassigned.

GAO's professionals may also be assigned to help congressional committees evaluate Federal programs and develop or revise legislation. This year, 80 highly qualified members were detailed to assist congressional committees. (See app. 4.)

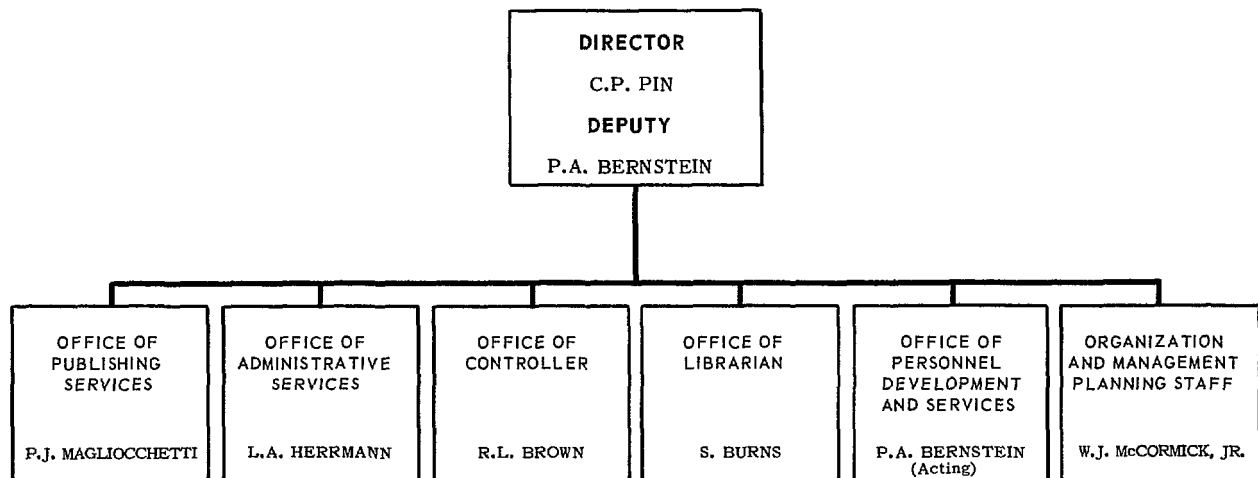


Table 3
DISTRIBUTION OF STAFF

Division or Office	Professional	Other	Total
Comptroller General's Office	6	5	11
Special Staff Services	12	11	23
General Counsel	129	105	234
Management Services	3	5	8
Organization and Management Planning	45	15	60
Administrative Services	12	54	66
Controller	31	71	102
Librarian	16	21	37
Publishing Services	41	140	181
Personnel Development and Services—includes entry-level and congressional assignments and Upward Mobility programs	78	110	188
Assistant Comptroller General	1	2	3
Policy	9	2	11
Program Planning	7	3	10
Internal Review	10	2	12
Community and Economic Development	228	45	273
Energy and Minerals	155	23	178
Federal Personnel and Compensation	82	16	98
Financial and General Management Studies	191	32	223
General Government	178	30	208
Human Resources	254	57	311
Logistics and Communications	153	28	181
Procurement and Systems Acquisition	135	31	166
Program Analysis	114	24	138
Joint Financial Management Improvement Program	1	1	2
International	120	24	144
Europe	48	5	53
Far East	43	6	49
Latin America	16	2	18
Field Operations	1,888	292	2,180
Claims	79	85	164
Total	4,085	1,247	5,332

Professional Attainment

Twenty-eight percent of our professional staff have advanced degrees, including 1,101 master's degrees and 59 doctoral degrees. Also, 646 staff members are certified public accountants, 34 others have passed the CPA examination and are completing their experience requirements, and 130 have been admitted to practice law in various jurisdictions.

Employee Development

The goal of employee development is to provide staff members with technical, supervisory, and management training through intensive training programs for both professional and support staff members.

Entry-level auditors receive some classroom instruction during their first year with GAO. This instruction acquaints them with (1) the way the Office conducts its audits and evaluations and (2) the technical requirements, standards, and procedures necessary to accomplish GAO's mission. Most of the entry-level professional training, however, consists of actual work assignments under the direction of experienced auditors.

To supplement the formal orientation and on-the-job training of new staff members, an "outreach" program is carried out during the first year of employment to counsel new employees concerning their assimilation into GAO. One facet of the program is to interview the employee and his/her immediate super-

visor in order to provide information, assistance, or guidance.

Training does not stop after the first year, of course. A continuing program for the professional staff includes such courses as management-minded supervision, program results effectiveness reviews, productive organizational communications, supervising human resources, strategies for managerial effectiveness, preparing effective presentations, the art of dictation, introductory and intermediate writing workshops, producing organized writing and effective reviewing, operational auditing, and specialized automatic data processing courses.

Our Career Development program for the support staff has increased with our training needs. In 1972 we began with 2 courses; now we have 15 courses designed for all levels of the support staff. Course offerings include English, secretarial orientation, typing, shorthand, report processing, travel procedures, and communication and human relations.

During fiscal year 1977, all GAO employees were scheduled to attend functional racism, a training program on understanding racism in the work setting and learning how to neutralize it.

Table 4

ADVANCED DEGREES—GAO PROFESSIONAL STAFF

Field	Master's	Doctorate
Accounting	183	1
Business administration/ management	391	7
Finance	80	—
Public administration	135	6
Economics	64	18
International/foreign affairs	35	2
Mathematical science	27	4
Social science	35	4
Operations research	14	1
Personnel management	14	—
Political science	12	5
Engineering	11	1
Computer and information science	14	1
Education	20	2
Other	66	7
Total	1,101	59

Office of Controller

The Office of Controller, under the direction of Richard L. Brown, Controller, is responsible for budgeting, accounting, and management information systems. The office has four branches:

- Budget and Financial Planning.
- Management and Accounting Information Systems.
- Automatic Data Processing Services.
- Systems Procedures Review and Internal Audit.

During the past year, in addition to designing a number of procedural and system changes to further improve the timeliness and usefulness of financial information, the office conducted research and pilot studies of zero-based budgeting concepts. Implementation of these concepts was expected to begin in fiscal year 1978.

Office of Administrative Services

Facilities Management Branch

The Facilities Management Branch continued its efforts to

- improve GAO's office environment, in keeping with the branch's long-range space improvement and utilization plan,
- provide a safe and healthful working environment for all GAO employees, in conformance with the Occupational Safety and Health Act of 1970,
- refine the security program to include all aspects of physical security, including the handling and storage of classified documents,
- monitor GAO's parking program to assure maximum use of available spaces, and
- provide carpenter and office appliance repair services.

Procurement and Services Branch

The Purchasing Section made about 7,275 purchases for the agency and about 65 purchases for the Cost Accounting Standards Board. This section also monitors the receipt of purchased items, maintains accountability records, and carries out property management and disposal activities. Its contracts group processed 110 contracts and interagency agreement transactions.

The Travel Services Section handled more than 7,800 local, national, and international travel reservations and about 285 permanent changes of duty station. It also arranged for storage, transportation, and warehouse handling of household goods and personal effects.

The Storeroom Section receives and maintains supplies of printing and binding stock items, fast-moving expendable supplies not carried in the local General Services Administration self-service store, certain other high-use items, and expendable and nonexpendable equipment. It processed requests for approxi-

ADMINISTRATION

mately 15,000 line items for the Washington, D.C., area and the regional and overseas offices.

The Laborer Section is responsible for storeroom deliveries, furniture and equipment movement, and delivery of bulky supplies, furniture, and equipment to and from local audit sites. This section handled more than 1,200 service calls.

Records Management and Services Branch

The Records Management and Analysis Section answered about 500 requests from Government agencies and private individuals for information from and copies of Government records. It received and filed 2,102 Senate confidential financial statements in accordance with Senate Rule 44. It handled 82 requests from other agencies for approval of their proposed records disposition schedules and worked with the National Archives and Records Service to simplify the procedures for approving the destruction of accountable officers' accounts stored at Federal records centers.

The Directives Section issued 64 directives, totaling 735 pages, for inclusion in the GAO Operations Manual—the source for internal administrative policies and procedures. It also prepared several draft directives for further coordination and approval by the Director, OAS, and controlled 93 forms.

Office of Publishing Services

This office provides all editing and printing services relating to the issuance of GAO reports and publications. A summary of the responsibility of its two branches follows.

Publishing and Graphic Services Branch

Responsible for all GAO publications, this branch edits, illustrates, prints, duplicates, and microfilms. It has three sections.

The Editorial Services Section edits, types, and proofs all GAO audit reports and other publications. During the year it processed over 900 audit reports and about 60 other publications, including the Annual Report, *The GAO Review*, newsletters, and pamphlets. This section also helps the regional offices and audit sites write audit reports.

The Illustrating Services Section meets all of GAO's visual information needs. It designs publications and exhibits, prepares displays for briefings, and does photography. It produced about 16,000 pieces of work this year.

The Printing Services Section prints, copies, and microfilms. During the year it saw to the production of over 102 million units via its own printing plant, the Government Printing Office, or outside contractors.

Distribution/Mail and Messenger Services Branch

The Distribution/Mail and Messenger Services Branch is responsible for distribution of all GAO publications; delivery of mail throughout the GAO building and to the Washington regional office and 82 audit sites; and provision of special messenger services.

The Distribution Services Section distributed over 1,000 audit reports and made about 1,500 distributions of other GAO publications.

The Mail and Messenger Services Section processed nearly 10 million pieces of internal GAO mail and over 2 million pieces of Postal Service mail during the year.

Office of Librarian

The Office of Librarian selects, acquires, maintains, and accesses information, documents, and materials that support GAO's overall mission.

During fiscal year 1977, the Technical Library added to its computerized data bases and now subscribes to over 70 data files in many specialized subject fields. The Law Library now accesses JURIS, an automated legal retrieval system enabling research—impossible manually—on detailed questions. Since February 1977, the cataloging staff has had on-line access to the catalog records of over 1,200 libraries.

The acquisition of microfiche files of all congressional publications issued since 1970 and U.S. Government statistical publications issued since 1973 has greatly increased the Library's research capabilities. The Library publishes monthly a list of new accessions, an automated list of periodicals, and bibliographies of special subjects.

The Library's orientation programs, training courses, and visits to audit sites and regions have increased in order to keep staff members informed of the Library's services and resources.

Cooperation with other libraries and research institutions continues to be an important activity, as our audit staff often requires access to other agencies' publications. Our participation in Federal Library Committee activities has facilitated such cooperation.

Organization and Management Planning Staff

The Organization and Management Planning staff is responsible for

—making organization studies and analyses of management operations, systems, and processes within GAO that affect management planning and policy,

- making organization analyses and providing systems development services to divisions, offices, and regions,
- performing research to develop systems and programs that will enhance the development and use of GAO's staff members as well as GAO's capability to respond to congressional needs,
- developing and maintaining central computerized data bases and related new information services and publications,
- providing technical and operational support in producing the *Congressional Sourcebook* series, and
- planning, developing, and establishing new mechanisms and techniques to coordinate information systems and services and to streamline the access, management, and dissemination of GAO information resources.

Equal Employment Opportunity Office

The Office of Personnel Development and Services provided our major equal opportunity initiative during 1977 by implementing a functional racism training program for all employees (see p. 195).

Our employment profile continued to show steady improvement, particularly in the mid-level grades. Minority staff at the GS-11 level accounted for 20.9 percent of all employees in this grade, compared to 16.7 percent in 1976. At the GS-12 level, their number almost doubled, bringing representation in the grade to 8.9 percent—3.4 percent over last year. White women accounted for 20.6 percent of our GS-11 employees, a 7-percent increase. Their representation at the GS-12 level was 9 percent, compared to 7.3 percent in 1976.

We made an analysis of women and minority employees in career ladder auditor positions to determine whether there were any systemic barriers to their advancement in comparison to white men. Persons hired as GS-7 auditors in 1973 and who were still with GAO provided the data base. The review indicated that there has not been any major adverse impact due specifically to a person's race or sex.

The number of minority persons hired for GS-7 and -9 entry-level auditor positions exceeded the goals established in our annual affirmative action plan. Minority hiring accounted for 24.8 percent of these jobs, against a target of 18 percent. The goal for white women was 20 percent, with 18 percent being achieved. On the other hand, a 16-percent goal for hiring white women in grades GS-11 and above was exceeded

by 5.1 percent. Minority hiring in these grades was short of expectations—10.6 percent, compared to a target of 14 percent.

Policy, Program Planning, and Internal Review

Until his death on November 29, 1977, Assistant Comptroller General Ellsworth H. Morse, Jr., had overall responsibility for activities of the Offices of Policy, Program Planning, and Internal Review.

Policy

The Office of Policy, directed by Donald J. Horan, advises and assists the Comptroller General on policy formulation, guidance, and review concerning all GAO functions.

Its responsibilities include (1) developing guidance for the operating divisions on auditing and reporting policies, standards, and procedures, (2) conducting or sponsoring research in auditing theory, objectives, practices, and techniques, (3) furnishing policy advice on auditing and reporting problems, and (4) reviewing proposed reports for the Comptroller General's signature. It also provides advice and assistance in developing operating policies and guidance for GAO's legislative, legal, claims, career development, and administrative activities.

Program Planning

The Office of Program Planning, directed by John D. Heller, advises the Comptroller General on long-range objectives, budget formulation, resource requirements, and overall direction-of-effort planning for GAO. It assists GAO's Program Planning Committee, guides and counsels individual GAO divisions and offices in developing their operational plans, and monitors and evaluates those plans and the overall performance of the divisions and offices.

Internal Review

The Office of Internal Review, under the direction of Lloyd G. Smith, reviews the operations and performance of all GAO divisions and offices. Its work includes (1) evaluating the performance of divisions and offices under established policies and procedures

ADMINISTRATION

and identifying ways of achieving more effective, efficient, and economical performance, (2) reviewing the system of management controls over operations and resources, (3) examining accounts, financial transactions, and management reports for accuracy, reliability, and usefulness, and (4) making specific examinations requested by the Comptroller General. Reviews and examinations are conducted at headquarters and at field and overseas locations. Reports by the office on the results of its work are sent to the Comptroller General and the Deputy Comptroller General.

Information Office

The Information Officer, Roland Sawyer, is the contact point for the media and the public at GAO. Also, his office provides editorial and communications assistance in preparing summaries, digests, and titles of audit reports; prepares the *Monthly List of GAO Reports*, sent to the Congress by the Comptroller General as required by law; prepares the weekly internal information bulletin, *GAO Management News*; and coordinates speeches for the Comptroller General.

NUMBER OF AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 ¹

	Addressee				Total
	Congress ²	Committee ³	Member	Agency officials ⁴	
Agriculture	10	5	1	2	18
Automatic Data Processing	8	7	1	5	21
Commerce and Transportation	25	23	28	25	101
Community and Regional Development	8	3	13	6	30
Education, Manpower and Social Services	10	16	16	24	66
Financial Management and Information Systems	15	7	5	43	70
General Government	45	59	27	41	172
General Science, Space and Technology	9	7	3	3	22
Health	8	19	10	12	49
Income Security	9	12	14	9	44
Impoundment Control Act of 1974	28	-	-	-	28
International Affairs	19	13	3	2	37
Law Enforcement and Justice	6	5	1	1	13
National Defense	89	50	32	97	268
Natural Resources, Environment, and Energy	34	37	13	29	113
Revenue Sharing and General Purpose Fiscal Assistance	3	2	1	1	7
Veterans Benefits and Services	4	-	6	13	23
Total	330	265	174	313	1,082

¹ A detailed list of these reports is contained in appendix 2. Substantially identical reports have been counted as one report.

² Reports submitted to the Congress are addressed to the President of the Senate and the Speaker of the House of Representatives. Copies are sent to the Director, Office of Management and Budget; the Senate and House Committees on Appropriations and Government Operations; the appropriate legislative committees in the Senate and the House; Members of Congress from the districts in which the activities reported on are located;

others in the Congress, as requested; the President of the United States, as appropriate; the agencies reported on; and others directly affected.

³ Includes reports addressed to officers of the Congress.

⁴ Comprises reports addressed to heads of departments or agencies, to other officials at department or agency headquarters, to department or agency officials at regional or other local offices, or to commanding officers at military installations.

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
AGRICULTURE					
Financial Disclosure System for Department of Agriculture Employees Needs Strengthening (request of Representative John E. Moss).	FPCD-77-17	1-31-77			
Examination of the Rural Telephone Bank's Financial Statements for the 15-Month Period Ended September 30, 1976. Department of Agriculture.	FOD-77-2	5-12-77			
Report on Improper Allocation of Certain Expenses by the Rural Telephone Bank Board, Rural Electrification Administration, Department of Agriculture.	FOD	. . . .	. . . .	. . . .	3-15-77
Observations on Soil Conservation Service's 1975 Study of Noncropland Having Potential for Conversion to Cropland. Department of Agriculture.	CED	. . . .	. . . .	. . . .	7-19-77
Agricultural Research and Services					
The Department of Agriculture Should Be Authorized to Charge for Cotton Classing and Tobacco Grading Services.	CED-77-105	8- 2-77			
Food Waste: An Opportunity to Improve Resource Use. Department of Agriculture.	CED-77-118	9-16-77			
Nationwide Food Consumption Survey: Need for Improvement and Expansion. Department of Agriculture (request of Senator George McGovern, Chairman, Senate Select Committee on Nutrition and Human Needs).	CED-77-56	. . . .	3-25-77		
Need to Establish Safety and Effectiveness of Antibiotics Used in Animal Feeds. Department of Health, Education, and Welfare (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	HRD-77-81	. . . .	6-27-77		
Management of Agricultural Research: Need and Opportunities for Improvement. Department of Agriculture (request of Senator Hubert H. Humphrey, Chairman, Joint Economic Committee).	CED-77-121	. . . .	8-23-77		
Marketing Meat: Are There Any Impediments to Free Trade? Department of Agriculture, and Internal Revenue Service (request of Representatives Alvin Baldus, Berkley Bedell, Glenn English, Charles E. Grassley, Jack Hightower, James P. Johnson, Charles Thone, and Senator John Melcher).	CED-77-81	. . . .	. . . .	6- 6-77	
Farm Income Stabilization					
Summary of GAO Reports Issued Since 1973 Pertaining to Farm Bill Legislation. Departments of Agriculture; Health, Education, and Welfare; and State, and Environmental Protection Agency.	CED-77-39	3- 3-77			
New Approach Needed to Control Production of Major Crops If Surpluses Again Occur. Department of Agriculture.	CED-77-57	4-25-77			
Federal Deficiency Payments Should Not Be Made for Crops Not Grown. Department of Agriculture.	CED-77-77	5-24-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
AGRICULTURE - Continued				
Farm Income Stabilization - Continued				
The National School Lunch Program: Is It Working? Departments of Agriculture and Health, Education, and Welfare.	PAD-77-6	7-26-77		
The Impact of Federal Commodity Donations on the School Lunch Program. Department of Agriculture (request of Representative Carl D. Perkins, Chairman, House Committee on Education and Labor, and Representative Charles A. Vanik and Senator Hubert H. Humphrey).	CED-77-32	. . . .	1-31-77	
Import-Export Issues				
U.S. Import Restrictions: Alternatives to Present Dairy Programs. Department of Agriculture.	ID-76-44	12- 8-76		
Issues Surrounding the Management of Agricultural Exports. Department of Agriculture and Council of Economic Advisers.	ID-76-87	5- 2-77		
Costs to Consumer and the Federal Treasury of Four Sugar Program Proposals. Department of Agriculture and International Trade Commission (request of Representative Charles A. Vanik, Chairman, Subcommittee on Trade, House Committee on Ways and Means).	ID-77-57	. . . .	8-29-77	
AUTOMATIC DATA PROCESSING				
A Proposed Automated Tax Administration System for Internal Revenue Service: An Evaluation of Costs and Benefits. Department of the Treasury, Office of Management and Budget, and General Services Administration.	LCD-76-114	11-23-76		
Designation of Lawrence Berkeley Laboratory Computer Facility as a Federal Scientific Data Processing Center Could Save Millions. Energy Research and Development Administration, General Services Administration, and Office of Management and Budget.	LCD-76-112	12-30-76		
Safeguarding Taxpayer Information: An Evaluation of the Proposed Computerized Tax Administration System. Department of the Treasury and Internal Revenue Service.	LCD-76-115	1-17-77		
Improved Management Needed for Automated Information-Handling Activities of Contract Administration. Defense Supply Agency.	LCD-75-115	2-17-77		
Problems Found with Government Acquisition and Use of Computers from November 1965 to December 1976. Multiagency.	FGMSD-77-14	3-15-77		
Improved Management of Computer Resources Needed to Enhance Marine Corps' Efficiency and Effectiveness. Department of the Navy.	LCD-76-124	7-11-77		
Millions in Savings Possible in Converting Programs from One Computer to Another. Multiagency.	FGMSD-77-34	9-15-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
Computer Auditing in the Executive Departments: Not Enough Is Being Done.	FGMSD-77-82	9-28-77		
Proposed Interim Upgrade of Equipment for the Department of Agriculture's New Orleans Computer Center. General Services Administration (request of Representative Jack Brooks, Chairman, House Committee on Government Operations, and Senator Gale W. McGee, Chairman, Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations).	LCD-77-101	. . . .	12-	1-76
New Computer Was Not Needed for the St. Louis Computer Center. General Services Administration and Department of Agriculture (request of Representative Jack Brooks, Chairman, House Committee on Government Operations, and Senator Gale W. McGee, Chairman, Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations).	LCD-76-126	. . . .	12-	30-76
Development, Implementation, and Operation of the Defense Integrated Data System. Department of Defense and Defense Logistics Agency (request of Representative George H. Mahon, Chairman, Defense Subcommittee, House Committee on Appropriations, and Senator John McClellan, Chairman, Defense Subcommittee, Senate Committee on Appropriations).	LCD-77-110	. . . .	5-	5-77
The Department of Agriculture's Allegation Concerning the General Services Administration's Mandatory Requirements Contract for ITEL Disk Drives. General Services Administration (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	LCD-77-115	. . . .	6-	20-77
Proposed Procurement of Equipment for the Department of Agriculture's Kansas City Computer Center. General Services Administration (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	LCD-77-114	. . . .	6-	23-77
Interim Upgrade of Equipment for the Department of Agriculture's Fort Collins Computer Center (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	LCD-77-104	. . . .	7-	1-77
Planning Procedures For Computer Resources in the Department of the Interior (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	FGMSD-77-68	. . . .	8-	9-77
Better Communication, Cooperation and Coordination Needed in Department of Defense Development of Its Tri-Service Medical Information System Program (request of Senator William Proxmire).	LCD-76-117	. . . .	. . . .	10- 6-76
Improved Planning and Management of Information Systems Development Needed. Department of the Army.	LCD-76-119	. . . .	. . . .	. . . . 10- 8-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
AUTOMATIC DATA PROCESSING - Continued					
Consolidation of Computer-Output-Microfilm Facilities in Hawaii. Department of Defense.	LCD-76-129	. . . .	. . . .	. . . .	11- 4-76
Deficiencies in the Air Force's Maintenance Actual Material Cost System. Air Force Logistics Command.	LCD-77-206	. . . .	. . . .	. . . .	1- 6-77
Management and Use of the Air Force's CREATE Time-Sharing Computer.	LCD	. . . .	. . . .	. . . .	3- 3-77
Planning for Source Data Automation in Government Industrial Activities: Coordination Needed. General Services Administration, National Center For Productivity and the Quality of Working Life, and Department of Defense.	LCD-77-441	. . . .	. . . .	. . . .	9-23-77
COMMERCE AND TRANSPORTATION					
Government Regulatory Activity: Justifications, Processes, Impacts, and Alternatives. Civil Aeronautics Board, Department of Labor, Environmental Protection Agency, and Interstate Commerce Commission.	PAD-77-34	6- 3-77			
Most Federal Assistance to New York City Unlikely to Be Affected by City-Initiated Budget Cuts. Departments of the Treasury, Agriculture, Health, Education, and Welfare, Labor and Transportation (request of Representative Frederick W. Richmond).	PAD-77-27	. . . .	. . . .	1-21-77	
Air Transportation					
Federal Short Takeoff and Landing Transport Programs: Status and Needs. Departments of Transportation and the Air Force, Office of Management and Budget, and National Aeronautics and Space Administration.	PSAD-76-172	10- 4-76			
Adoption of Commercial Standards for Seat Spacing and In-Flight Food Service Would Reduce Contract Airlift Costs and Conserve Fuel. Departments of Defense and the Air Force.	LCD-76-211	10- 5-76			
The Federal Aviation Administration Should Do More to Detect Civilian Pilots Having Medical Problems. Department of Transportation.	CED-76-154	11- 3-76			
Issues and Management Problems in Developing an Improved Air-Traffic-Control System. Federal Aviation Administration.	PSAD-77-13	12-15-76			
Effective Fuel Conservation Programs Could Save Millions of Gallons of Aviation Fuel. Civil Aeronautics Board, Department of Transportation, and Federal Energy Administration.	CED-77-98	8-15-77			
Why the Federal Airline Subsidy Program Needs Revision. Civil Aeronautics Board.	CED-77-114	8-19-77			
Review of the Coast Guard's Medium-Range Surveillance Aircraft Procurement Program (request of Senator Warren G. Magnuson, Chairman, and Senator James B. Pearson, Ranking Minority Member, Senate Committee on Commerce).	PSAD-77-63	. . . .	1-17-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND					
TRANSPORTATION - Continued					
Air Transportation - Continued					
Lower Airline Costs per Passenger Are Possible in the United States and Could Result in Lower Fares. Civil Aeronautics Board (request of Senator Edward M. Kennedy, Chairman, Subcommittee on Administrative Practice and Procedure, Senate Committee on the Judiciary).	CED-77-34	. . . .		2-18-77	
Comments on the Study: "Consequences of Deregulation of the Scheduled Air Transportation Industry." Civil Aeronautics Board (request of Senator Edward M. Kennedy, Chairman, Subcommittee on Administrative Practice and Procedure, Senate Committee on the Judiciary).	CED-77-38	. . . .		2-25-77	
Establishment of Ames Research Center as Lead Center for Helicopter Research and Development. National Aeronautics and Space Administration (request of Representative Thomas N. Downing and Senator Harry F. Byrd, Jr. and Senator William L. Scott).	LCD-77-300 through LCD-77-302	. . . .	. . . .		11-30-76
Charter Commercial Airlines versus Military Aircraft to Transport Military Personnel and Dependents. Department of Defense (request of Senator Claiborne Pell).	LCD-77-223	. . . .	. . . .	5-	9-77
Eppley Airfield, Nebraska: Problems Caused in Council Bluffs, Iowa. Department of Transportation (request of Senator Dick Clark).	CED-77-73	. . . .	. . . .	5-27-77	
Noncompliance with Guidelines for Implementation of the Fly America Act. Department of the Navy.	LCD	. . . .	. . . .	. . . .	1- 5-77
The Manner in Which Financial Institutions May Influence the Management of Air Carriers. Civil Aeronautics Board.	PAD-77-78	. . . .	. . . .	. . . .	9- 2-77
Ground Transportation					
Management Actions Needed To Improve Federal Highway Safety Program. Department of Transportation.	CED-76-156			10-21-76	
Private Companies Should Receive More Consideration in Federal Mass Transit Programs. Department of Transportation.	CED-77-8			12-10-76	
Speed Limit 55: Is It Achievable? Departments of Labor; Health, Education, and Welfare; Transportation; Treasury; and Agriculture.	CED-77-27			2-14-77	
Why Urban System Funds Were Seldom Used for Mass Transit. Department of Transportation.	CED-77-49			3-18-77	
The Status and Problems in Constructing the National Visitor Center. Departments of the Interior and Transportation and National Capital Planning Commission.	PSAD-77-93			4- 4-77	
The Federal Motor Carrier Safety Program: Not Yet Achieving What the Congress Wanted. Department of Transportation.	CED-77-62			5-16-77	
Amtrak's Incentive Contracts with Railroads: Considerable Cost, Few Benefits. Department of Transportation.	CED-77-67			6- 8-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND TRANSPORTATION - Continued					
Ground Transportation - Continued					
Need to Resolve Metro Funding. Department of Transportation and Washington Metropolitan Area Transit Authority.	PSAD-77-123	6-29-77			
Examination of the United States Railway Association's Financial Statements and Other Matters Concerning Its Operations.	CED-77-64	7- 8-77			
Improved Controls Needed Over Federal Financial Assistance to Railroads. Department of Transportation and United States Railway Association (request of Senator Lawton Chiles, Chairman, and Senator Lowell P. Weicker, Jr., Ranking Minority Member, Subcommittee on Federal Spending Practices, Efficiency and Open Government, Senate Committee on Government Operations).	CED-76-161	. . . . .	11-15-76		
Suggested Reporting Formats for WMATA Bus and Rail Operations. Department of Transportation (request of Chairman, Subcommittees on Commerce, Housing, and Transportation and on Fiscal and Government Affairs, House Committee on the District of Columbia).	PSAD-77-16	. . . . .	12- 2-76		
Railcar Compliance and Enforcement: An Update. Interstate Commerce Commission (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	CED-77-21	. . . . .	1-12-77		
Transportation Programs for the Elderly. Department of Health, Education, and Welfare (request of Representative Mario Biaggi, Chairman, Subcommittee on Federal, State, and Community Services, House Select Committee on Aging).	HRD-77-68	. . . . .	4- 7-77		
Federal Funds Used in Chicago to Procure, and Later Replace, Unreliable Communication Equipment. Department of Transportation (request of Representative Garner E. Shriver).	CED-77-5	. . . . .	. . . . .	11-22-76	
Mass Transit for Elderly and Handicapped Persons: Urban Mass Transportation Administration's Actions. Department of Transportation (request of Representative John E. Moss).	CED-77-37	. . . . .	. . . . .	3-25-77	
Cost to the Government for Moving Household Goods of its Civilian Employees. Department of Defense and General Services Administration (request of Senator Sam Nunn).	LCD-77-203	. . . . .	. . . . .	4-14-77	
Costs of Repairing Government Vehicles Damaged in Accidents. Departments of Agriculture, Defense, the Interior, and Justice; General Services Administration; and Postal Service (request of Senator Sam Nunn).	LCD-77-224	. . . . .	. . . . .	7-26-77	
Improving and Maintaining Federal-Aid Roads - Department of Transportation Action Needed.	CED-77-31	. . . . .	. . . . .	. . . . .	2- 2-77
Problems in the Federal Funding of School Bus Driver Training Programs. Department of Transportation.	CED-77-60	. . . . .	. . . . .	. . . . .	4-26-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
COMMERCE AND					
TRANSPORTATION - Continued					
Ground Transportation - Continued					
Improper Relocation Allowances Paid to Alaska Railroad General Manager.	CED	. . . . .	. . . . .	. . . . .	4-27-77
Repair Costs and Claim Settlement Procedures for Government Vehicles Involved in Accidents. Department of Agriculture, Forest Service.	LCD-77-213	. . . . .	. . . . .	. . . . .	4-28-77
Need to Improve Practices in Repairing Damaged Vehicles and Processing Related Claims. Department of Defense.	LCD-77-217	. . . . .	. . . . .	. . . . .	6-21-77
Costs of Repairing Government Vehicles Damaged in Accidents. Department of Defense, and General Services Administration.	LCD-77-218	. . . . .	. . . . .	. . . . .	7-25-77
Improvements Needed in Regulating Household Goods Carriers. Interstate Commerce Commission.	CED-77-104	. . . . .	. . . . .	. . . . .	8- 1-77
Construction Progress and Problems of the Darien Gap Highway. Departments of State and Transportation.	PSAD-77-154	. . . . .	. . . . .	. . . . .	8-15-77
Problems Experienced by the General Services Administration in Establishing Interagency Motor Pools and Purchasing Vehicles. General Services Administration.	LCD	. . . . .	. . . . .	. . . . .	8-31-77
Suggestion That the Army Corps of Engineers at the St. Louis and Tulsa Motor Pools Maintain Their Vehicles in Accordance with Manufacturers' Specifications.	LCD	. . . . .	. . . . .	. . . . .	8-31-77
Mortgage Credit and Thrift Insurance					
Examination of Financial Statements Pertaining to Insurance Operations of the Federal Housing Administration, Fiscal Year 1975. Department of Housing and Urban Development.	CED-76-157	11-11-76			
Department of Housing and Urban Development Unresponsive to Multifamily Housing Real Estate Tax Problems.	CED-77-125	9-27-77			
Poor Design Reviews and Construction Inspections of Apartment Project in Rhode Island. Department of Housing and Urban Development (request of Representative Fernand J. St. Germain, Chairman, Subcommittee on Financial Institutions Supervision, Regulation, and Insurance, House Committee on Banking, Finance and Urban Affairs).	CED-77-66	. . . . .	6- 3-77		
Construction Problems with Country Club Estates, Merrimack, New Hampshire, A Section 235 Housing Project. Department of Housing and Urban Development (request of Representative Norman D'Amours and Senator Thomas J. McIntyre).	CED-76-148	. . . . .	. . . . .	10-20-76	
Aspects of Section 8 Fair Market Rents for New Construction in Lancaster, Pennsylvania. Department of Housing and Urban Development (request of Representative Robert S. Walker).	CED-77-84	. . . . .	. . . . .	6-16-77	
Single Family Appraisal and Disposal Practices of the Department of Housing and Urban Development (request of Representative Patricia Schroeder).	CED-77-90	. . . . .	. . . . .	6-23-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND TRANSPORTATION - Continued					
Mortgage Credit and Thrift Insurance - Continued					
Alleged Discrimination in Insuring Profit-Making Multifamily Housing Projects. Department of Housing and Urban Development (request of Representative Ronald V. Dellums).	CED-77-91	. . . .	. . . .	7-12-77	
Study of Government National Mortgage Association's Secondary Mortgage Market Activities. Department of Housing and Urban Development.	CED-77-16	. . . .	. . . .	. . . .	11-29-76
Other Advancement and Regulation of Commerce					
Improved Service to the Small Shipper is Needed. Interstate Commerce Commission and Department of Transportation.	CED-77-14	12-22-76			
Energy Conservation Competes with Regulatory Objectives for Truckers. Department of Transportation, and Interstate Commerce Commission.	CED-77-79	7- 8-77			
Analysis of Travel Activities of Certain Regulatory Agency Commissioners During 1971-75. Federal Communications, Federal Maritime, Interstate Commerce, Federal Trade, and Consumer Product Safety Commissions (request of Senator Warren G. Magnuson, Chairman, Senate Committee on Commerce).	CED-76-155	. . . .	10- 6-76		
The U.S. Fishing Industry: Present Condition and Future of Marine Fisheries, Volumes 1 and 2. Department of Commerce (requests of Representatives Leonor K. Sullivan, Chairman, and Philip E. Ruppe, Ranking Minority Member, House Committee on Merchant Marine and Fisheries, and Representatives Robert L. Leggett, Chairman, and Edwin B. Forsythe, Ranking Minority Subcommittee Member, Subcommittee on Forestries and Wildlife Conservation and the Environment).	CED-76-130	. . . .	12-23-76		
Establishing a Proper Fee Schedule under the Independent Offices Appropriation Act, 1952. Federal Communications Commission (request of Representative Lionel Van Deerlin, Chairman, Subcommittee on Communications, House Committee on Interstate and Foreign Commerce, and Senator Ernest F. Hollings, Chairman, Subcommittee on Communications, Senate Committee on Commerce, Science and Transportation).	CED-77-70	. . . .	5- 6-77		
Changing Ownership of Mutual Savings and Loan Associations: An Evaluation. Federal Home Loan Bank Board (request of Senator William Proxmire, Chairman, Senate Committee on Banking, Housing and Urban Affairs).	FOD-77-10	. . . .	5-26-77		
Responsibilities, Actions and Coordination of Federal Agencies in International Telecommunications Services. Departments of Commerce and State, Federal Communications Commission and Office of Telecommunications Policy (request of Representatives Lionel Van	CED-77-132	. . . .	9-29-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND TRANSPORTATION - Continued					
Other Advancement and Regulation of Commerce - Continued					
Deerlin, Chairman, and Louis Frey Jr., Ranking Minority Member, Subcommittee on Communications, House Committee on Interstate and Foreign Com- merce).					
Closing of Small Business Administration in Marshall, Texas. Small Business Administration (request of Representative Sam B. Hall, Jr.).	CED-77-22	. . . . .	. . . . .	1- 6-77	
Methods the Bureau of Labor Statistics Uses to Arrive at Unemployment Percentages. Department of Labor (re- quest of Representative Carl D. Perkins).	HRD-77-39	. . . . .	. . . . .	1-26-77	
The Proposed Closing of the Roosevelt Federal Savings and Loan Association, East Grand Branch Office, St. Louis, Missouri (request of William L. Clay).	FOD-77-9	. . . . .	. . . . .	5-11-77	
Small Business Administration's Compliance with Comptroller General's Decision on Purchase of Guaranteed Loans.	CED-77-26	. . . . .	. . . . .	. . . . .	1-26-77
Potential Problems That Should Be Considered in Evaluating the Experimental Technology Incentives Program. National Bureau of Standards.	PSAD-77-132	. . . . .	. . . . .	. . . . .	7-25-77
Postal Service					
Improvements in Charges and Settlements of Inter- national Mail Accounts. Departments of Treasury and State, and U.S. Postal Service.	ID-77-38	8-30-77			
Problems of the New National Bulk Mail System. U.S. Postal Service (request of Representative Charles H. Wilson, Chairman, Subcommittee on Postal Facilities, Mail and Labor Management, House Committee on Post Office and Civil Service).	GGD-76-100	. . . . .	12-10-76		
The Role of the Postal Rate Commission Should be Clarified. Postal Service (request of Senator Lawton Chiles, Chairman, Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations).	GGD-77-20	. . . . .	4- 7-77		
Nonprofit Organizations' Eligibility for Reduced Third- Class Postal Rates. Postal Service (request of Represen- tative Richardson Preyer, Chairman, Subcommittee on Government Information and Individual Rights, House Committee on Government Operations).	GGD-77-53	. . . . .	6- 7-77		
Administration of the Workers' Compensation Program. Postal Service (request of Representative Charles H. Wilson, Chairman, Postal Personnel and Modernization Subcommittee, and Representative James M. Hanley, Chairman, Subcommittee on Postal Operations and Ser- vices, House Committee on Post Office and Civil Ser- vice).	GGD-77-45	. . . . .	7- 8-77		
Local Vehicle Leasing Options Have Not Been Adequately Considered. Postal Service (request of Representative Charles H. Wilson, Chairman, Subcommittee on Postal	GGD-77-71	. . . . .	8- 5-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Officials Agency
COMMERCE AND TRANSPORTATION - Continued					
Postal Service - Continued					
Personnel and Modernization, House Committee on Post Office and Civil Service).					
Review of Labor-Management Problems at the Pittsburgh, Pennsylvania, Post Office (request of Representative H. John Heinz, III).	GGD-77-1	. . . . .	. . . . .	10-18-76	
Quality of Mail Service in Southeastern Wisconsin. Postal Service (request of Representatives Robert W. Kasten and Les Aspin).	GGD-77-2 GGD-77-3	. . . . . . . . . .	. . . . . . . . . .	10-22-76 10-22-76	
Review of the Quality of Mail Service in the State of Louisiana. Postal Service (request of Senator J. Bennett Johnston).	GGD-76-110	. . . . .	. . . . .	10-29-76	
Review of Postal Service Mail Trucking Contract Awards (request of Representative Ronald V. Dellums).	GGD-77-14	. . . . .	. . . . .	12-28-76	
Review of the Proposed Consolidation of the Toms River Mail Processing Center with the Sectional Center Facility in Hamilton Township, New Jersey. Postal Service (request of Representative Edwin B. Forsythe).	GGD-77-19	1-14-77	
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Training of Some U.S. Postal Service Personnel at Federal Law Enforcement Training Center is Feasible (request of Senators Herman Talmadge and Sam Nunn, and Representatives Bo Ginn, David N. Henderson, and Robert Jones).	GGD-77-7	2- 2-77	
The Quality of Mail Service in Western Montana. Postal Service (request of Representative Max Baucus).	GGD-77-27	. . . . .	. . . . .	2-11-77	
Review of the Postal Service's Use of the Railroads to Transport Mail (request of Representative Paul Simon).	GGD-77-23	. . . . .	. . . . .	2-25-77	
Updated Review of the Quality of Mail Service in Louisiana. Postal Service (request of Senator J. Bennett Johnston).	GGD-77-57	. . . . .	. . . . .	5-11-77	
Feasibility of Cost Study on Certain Classes of Mail. Postal Service (request of Representative James C. Cleveland).	GGD-77-64	. . . . .	. . . . .	6-29-77	
Reasonableness of U.S. Postal Service Decisions to Pay for Renovating Leased Facilities Which Are Scheduled to be Vacated and to Contract With the Lessor to Perform the Renovations (request of Representative Stephen J. Solarz).	GGD-77-91	. . . . .	. . . . .	9-14-77	
Efficiency of Operations at Billings and Great Falls, Montana, Post Offices (request of Senator John Melcher).	GGD-77-90	. . . . .	. . . . .	9-30-77	
Review of the Carrier Technician Program. Postal Service.	GGD-77-9	. . . . .	. . . . .	. . . . .	12- 8-76
Review of Postal Service's Payroll System. Postal Service.	GGD-77-37	. . . . .	. . . . .	. . . . .	3-15-77
Survey of the Self-Service Postal Center Program. Postal Service.	GGD-77-75	. . . . .	. . . . .	. . . . .	7-18-77
Survey of the Postal Service's Practices and Procedures for Resolving Insurance Claims on Lost or Damaged Parcels.	GGD-77-84	. . . . .	. . . . .	. . . . .	8- 8-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND					
TRANSPORTATION - Continued					
Water Transportation					
The National Defense Reserve Fleet: Can It Respond to Future Contingencies? Departments of Defense, the Navy, and Commerce, and Office of Management and Budget.	LCD-76-226	10-		6-76	
Needs of the U.S. Coast Guard in Developing an Effective Recreational Boating Safety Program. Department of Transportation.	CED-77-11	12-		3-76	
Dredging America's Waterways and Harbors: More Information on Needed Environmental and Economic Issues. Environmental Protection Agency and Department of the Army, Corps of Engineers.	CED-77-74			6-28-77	
Audit of Financial Statements of Saint Lawrence Seaway Development Corporation, Calendar Year 1976. Department of Transportation.	FOD-77-13			9-13-77	
Review of Certain Aspects of the Maritime Administration's Administration of the Federal Ship Financing Program. Department of Commerce (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	CED-77-68	.	.	5-16-77	
Total Costs Resulting From Two Major Oil Spills. Department of Transportation (request of Representative Leo J. Ryan, Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations).	CED-77-71	.	.	6- 1-77	
Assessment of Cost Estimates Associated with H.R. 1037, a Cargo Preference Bill. Department of Commerce and Federal Maritime Administration (request of Representative John M. Murphy, Chairman, House Committee on Merchant Marine and Fisheries).	PAD-77-74	.	.	7-29-77	
Costs of Cargo Preference. Department of Commerce (request of Representative John M. Murphy, Chairman, House Committee on Merchant Marine and Fisheries).	PAD-77-82	.	.	9- 9-77	
Review of Storage Charges and Customer Assistance Teams for Military Sales (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	LCD-77-238	.	.	9-23-77	
Tankers and Oil Transfer Operations on the Delaware River and Bay. Department of Transportation (request of Senator William V. Roth, Jr.).	CED-77-124	.	.	8-23-77	
Need for Strengthening the Management and Control of the Ship Sale Program. Department of Commerce.	CED	.	.		1-26-77
Maintenance Costs on the Atlantic Intracoastal Waterway Can be Reduced. Department of the Army, Corps of Engineers.	CED	.	.		3-18-77
Negotiation of Domestic Off-Shore Freight Rates by the Department of Defense. Federal Maritime Commission.	LCD-77-226	.	.		5- 3-77
Audit of Military Sealift Command Transportation Payments. Department of Defense, and General Services Administration.	LCD	.	.		5-11-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMERCE AND TRANSPORTATION - Continued					
Water Transportation - Continued					
The Maritime Administration's Ship Sales Program. Departments of Commerce and Defense and General Services Administration.	CED-77-80	. . . . .	. . . . .	. . . . .	5-26-77
Opportunities to Reduce the Ocean Transportation Costs of P.L. 480 Commodities. Department of Commerce.	CED-77-127	. . . . .	. . . . .	. . . . .	9- 7-77
COMMUNITY AND REGIONAL DEVELOPMENT					
Examination of the Government National Mortgage Association's Financial Statements for the 15-month Period Ended September 30, 1976. Department of Housing and Urban Development.	FOD-77-11	8- 9-77			
The Effects of Illegal Aliens in New York City. Bureau of the Census, Department of Commerce; Immigration and Naturalization Service, Department of Justice; and Department of the Treasury (request of Representative William S. Moorhead, Chairman, Subcommittee on Economic Stabilization, House Committee on Banking, Finance and Urban Affairs).	PAD-77-64	. . . . .	6- 3-77		
Area and Regional Development					
The Appalachian Development Highway System in West Virginia: Too Little Funding Too Late? Department of Transportation and Appalachian Regional Commission.	PSAD-76-155	11- 3-76			
Changes Proposed for the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities. Department of Commerce.	CED-77-86	7- 7-77			
Farmers Home Administration Business and Industrial Loan Program Can Be Improved. Department of Agriculture.	CED-77-126	9-30-77			
Observations Concerning the Local Public Works Program. Department of Commerce (request of Representative Harold T. Johnson, Chairman, House Committee on Public Works and Transportation, and 66 other Representatives and Senator Jennings Randolph, Chairman, Senate Committee on Public Works and 7 other Senators).	CED-77-48	. . . . .	2-23-77		
Procedural Operations of the Farmers Home Administration, Department of Agriculture, in Wisconsin (request of Representatives Alvin Baldus and 6 other Representatives, and Senators Gaylord Nelson and William Proxmire).	CED-77-29	. . . . .	. . . . .	2-10-77	
Assistance to Nonrubber Shoe Firms. Department of Commerce (request of Representatives James A. Burke, Norman E. D'Amours, Sam M. Gibbons, and Senators John A. Durkin and Thomas J. McIntyre).	CED-77-51	. . . . .	. . . . .	3- 4-77	
Alleged Lobbying of Members of Congress by Commerce Department Employees (request of Senator Charles E. Grassley).	CED-77-110	. . . . .	. . . . .	7-27-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
COMMUNITY AND REGIONAL DEVELOPMENT - Continued					
Area and Regional Development - Continued					
Business Development Loan To Keystone Georgia Metal Company Inadequately Justified Department of Commerce (request of Representative John Moss.)	CED-77-111	. . . . .	. . . . .	8-12-77	
Farmers Home Administration Use of Grant Funds for Water and Waste Disposal Systems (request of Senator James Abourezk).	CED-77-109	. . . . .	. . . . .	8-17-77	
Architect/Engineer Problems Delaying the Start of Construction on Public Works Projects. Economic Development Administration.	CED	. . . . .	. . . . .	. . . . .	4-29-77
Improvements Needed in the Administration of Farmers Home Administration's Water and Waste Disposal Program. Department of Agriculture.	CED-77-116	. . . . .	. . . . .	. . . . .	9- 1-77
Community Development					
Operation Breakthrough: Lessons Learned about Demonstrating New Technology. Departments of Housing and Urban Development and Commerce.	PSAD-76-173	11-	2-76		
Why the Formula for Allocating Community Development Block Grant Funds Should Be Improved. Department of Housing and Urban Development.	CED-77-2	12-	6-76		
The Long-Term Fiscal Outlook for New York City. Departments of Housing and Urban Development and the Treasury.	PAD-77-1	4-	4-77		
Environmental Reviews Done by Communities: Are They Needed? Are They Adequate? Council on Environmental Quality; Departments of Health, Education, and Welfare and Housing and Urban Development; and Environmental Protection Agency.	CED-77-123	9-	1-77		
Review of the Economic Feasibility of the Construction and Operation of the Proposed Civic Center in the District of Columbia (request of Senator Patrick J. Leahy, Chairman, Subcommittee on District of Columbia, Senate Appropriations Committee).	GGD-77-58	. . . . .	5-18-77		
Homes in Santa Fe, New Mexico, Not Rehabilitated in Accordance with Federal Regulations. Department of Housing and Urban Development (request of Senator Joseph M. Montoya).	CED-76-158	. . . . .	. . . . .	11-	4-76
Investigation of a Loan by the Farmers Home Administration to Collier County Sewer District A. Department of Agriculture (request of Senator Richard Stone).	CED-77-36	. . . . .	. . . . .	2-27-77	
Department of Housing and Urban Development's Review of Basic Homes Program (request of Senator Lee Metcalf).	CED-77-52	. . . . .	. . . . .	4-	1-77
Department of Housing and Urban Development Could Be Streamlined (request of Senator Henry Bellmon).	FPCD-77-56	. . . . .	. . . . .	6-16-77	
Need for Fairer Treatment of Homeowners' Claims for Defects in Existing Insured Homes. Department of Housing and Urban Development (request of Representative Ralph H. Metcalfe).	CED-77-97	. . . . .	. . . . .	7-27-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
COMMUNITY AND REGIONAL DEVELOPMENT - Continued					
Community Development - Continued					
Review of Department of Agriculture Audits and Investigations of the Farmers Home Administration's Activities in the State of Maine (request of Representative David F. Emery).	CED-77-115	. . . . .	. . . . .	8- 5-77	
Review of the Allegation That the Economic Development Administration Announced Funding Planning Targets for the Local Public Works Program Knowing That Many Targets Were in Error (request of Representatives James J. Florio and David A. Stockman).	CED-77-128 CED-77-129	. . . . .	. . . . .	8-31-77	
Effectiveness of the Builder's Warranty on New Houses with Mortgages Insured by HUD or Guaranteed by VA. Department of Housing and Urban Development and Veterans Administration.	CED-77-20	. . . . .	. . . . .	. . . . .	1- 5-77
Planning Federal Assistance to Communities Affected by the Trident Submarine Base, Washington State. Department of Defense.	LCD-77-320	. . . . .	. . . . .	. . . . .	6- 8-77
Pricing of Firm Fixed-Price Noncompetitive Contracts With R. L. Polk and Co. Department of Housing and Urban Development.	PSAD-77-144	. . . . .	. . . . .	. . . . .	7-22-77
Report to the Chairman, Federal Home Loan Bank Board, on the Audit of Financial Statements for Fiscal Year 1976.	FOD	. . . . .	. . . . .	. . . . .	8- 1-77
Disaster Relief and Insurance					
Delayed Redevelopment Was Reasonable After Flood Disaster in West Virginia. Departments of the Army (Corps of Engineers), Agriculture, Housing and Urban Development, and Transportation; Environmental Protection Agency; and Small Business Administration (request of Representative Ken Hechler).	CED-77-17	. . . . .	. . . . .	12-30-76	
EDUCATION, MANPOWER, AND SOCIAL SERVICES					
Elementary, Secondary, and Vocational Education					
Learning Disabilities: The Link to Delinquency Should Be Determined, But Schools Should Do More Now. Law Enforcement Assistance Administration, Department of Justice, and Department of Health, Education, and Welfare.	GGD-76-97	3- 4-77			
Indian Education in the Public School System Needs More Direction from the Congress. Department of Health, Education, and Welfare.	HRD-76-172	3-14-77			
Assessment of the Impact Aid Program. Office of Education, Department of Health, Education, and Welfare (request of Representative Carl D. Perkins, Chairman, House Committee on Education and Labor).	HRD-76-116	. . . . .	10-15-76		
Concerted Effort Needed to Improve Indian Education. Department of the Interior (request of Representative Albert H. Quie and Senator Paul Fannin).	CED-77-24	. . . . .	. . . . .	1-17-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
EDUCATION, MANPOWER, AND SOCIAL SERVICES - Continued					
Elementary, Secondary, and Vocational Education - Continued					
Review of the Lummi School of Aquaculture. Department of Health, Education, and Welfare (request of Representative Lloyd Meeds, Chairman, Subcommittee on Indian Affairs and Public Lands, House Committee on Interior and Insular Affairs.	HRD-77-108	. . . . .	. . . . .	6-17-77	
Excess Classroom Space: A Case for Better Planning. District of Columbia.	GGD-76-73	. . . . .	. . . . .	. . . . .	9-30-77
Higher Education					
Examination of Financial Operations for Fiscal Year 1975 Shows Need for Improvements in the Guaranteed Student Loan Program. Department of Health, Education, and Welfare.	FOD-76-23	2-10-77			
Study of Guaranteed Student Loan Program Bankruptcies. Department of Health, Education, and Welfare (request of Representative Don Edwards, Chairman, Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary, and Representative William Ford, Chairman, Subcommittee on Postsecondary Education, House Committee on Education and Labor).	HRD-77-80	. . . . .	4-15-77		
National Direct Student Loan Delinquency Rate. Department of Health, Education, and Welfare.	HRD-77-17	. . . . .	. . . . .	. . . . .	11- 5-76
Assistance Provided for the Construction of Higher Education Academic Facilities. Department of Health, Education, and Welfare.	HRD	. . . . .	. . . . .	. . . . .	12- 1-76
Operation of the Fund for the Improvement of Postsecondary Education. Department of Health, Education, and Welfare.	HRD	. . . . .	. . . . .	. . . . .	2- 4-77
Holliston Junior College Basic Educational Opportunity Grant. Department of Health, Education, and Welfare.	HRD-77-45	. . . . .	. . . . .	. . . . .	2-15-77
The National Direct Student Loan Program Requires More Attention by the Office of Education and Participating Institutions. Department of Health, Education, and Welfare.	HRD-77-109	. . . . .	. . . . .	. . . . .	6-27-77
Collection Efforts not Keeping Pace with Growing Number of Defaulted Student Loans. Office of Education, Department of Health, Education, and Welfare.	CD-77-1	. . . . .	. . . . .	. . . . .	8-11-77
Report on the Audit of Financial Statements for the 15-Month Period Ended September 30, 1977. Office of Education.	FOD	. . . . .	. . . . .	. . . . .	9-22-77
Manpower Training					
The Employment Service: Problems and Opportunities for Improvement. Department of Labor.	HRD-76-169	2-22-77			
More Benefits to Jobless Can Be Obtained in Public Service Employment. Department of Labor.	HRD-77-53	4- 7-77			
Controls over Vocational Rehabilitation Training Services Need Improvement.	HRD-76-167	5- 5-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
EDUCATION, MANPOWER, AND SOCIAL SERVICES - Continued					
Manpower Training - Continued					
Followup Report on Services to Veterans in Delaware Under Title VI of the Comprehensive Employment and Training Act (request of Senator Alan Cranston, Chairman, Senate Committee on Veterans' Affairs).	HRD-77-16	. . . . .		2-16-77	
Information on the Summer Youth Employment Program. Department of Labor (request of Representative Parren J. Mitchell, Chairman, Human Resources Task Force, House Committee on Budget).	HRD-77-121	. . . . .		6-27-77	
Payment Problems in the Summer Youth Employment Program in New York City. Department of Labor (request of Representative Fred Richmond).	HRD-77-18	. . . . .	. . . . .	2- 2-77	
Employment Programs in Buffalo and Erie County Under the Comprehensive Employment and Training Act Can be Improved (request of Representative Jack Kemp).	HRD-77-24	. . . . .	. . . . .	2-18-77	
Inquiry into Certain Alleged Irregularities in the Comprehensive Employment and Training Program in Berkeley, California. Department of Labor (request of Representative Ronald V. Dellums).	HRD-77-85	. . . . .	. . . . .	5- 4-77	
Property and Fiscal Management Problems at the Maryland Job Corps Center. Department of Labor (request of Representative Goodloe E. Byron).	HRD-77-36	. . . . .	. . . . .	5-13-77	
Other Labor Services					
The Investment Decisionmaking Process in Two New Jersey Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Public Welfare).	HRD-77-12	. . . . .		11-11-76	
The Investment Decisionmaking Process In Two Georgia Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Public Welfare).	HRD-77-21	. . . . .		11-30-76	
The Investment Decisionmaking Process in Two Michigan Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Public Welfare).	HRD-77-31	. . . . .		12-29-76	
The Investment Decisionmaking Process in Two Virginia Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member. Senate Committee on Labor and Public Welfare).	HRD-77-32	. . . . .		12-29-76	
The Investment Decisionmaking Process in Two Colorado Public Employee Retirement Plans (request of Senators	HRD-77-30	. . . . .		12-29-76	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
EDUCATION, MANPOWER, AND SOCIAL SERVICES - Continued					
Other Labor Services - Continued					
Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Public Welfare).					
The Investment Decisionmaking Process in Two Tennessee Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Welfare).	HRD-77-28	. . . .		12-29-76	
The Investment Decisionmaking Process in Two New York Public Employee Retirement Plans. Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Labor and Welfare).	HRD-77-41	. . . .		2-16-77	
Efforts to Implement the Employee Retirement Income Security Act of 1974 by the Department of Labor (request of Senators Harrison A. Williams, Jr., Chairman, and Jacob K. Javits, Ranking Minority Member, Senate Committee on Human Resources).	HRD-77-99	. . . .		7- 6-77	
Allegations of Ineligible Participants in Migrant Farmworker Program. Department of Labor (request of Senator William Proxmire).	HRD-77-59	. . . .	. . . .	3-22-77	
Corrective Action Promised by the Department of Defense and the General Services Administration on Enforcement of the Davis-Bacon Act Labor Standards in Carpetlaying Contracts in Colorado. Department of Labor (request of Representative Patricia Schroeder).	HRD-77-86	. . . .	. . . .	5-13-77	
Stronger Controls Needed Over the Migrant and Seasonal Farmworkers Association Programs in North Carolina. Department of Labor (request of Senator Robert Morgan).	HRD-77-84	. . . .	. . . .	9- 8-77	
Review of Administration and Enforcement of the Davis-Bacon Act. Department of Labor, 10 reports.	HRD	. . . .	. . . .	. . . .	various
Failure by National Institute of Education to Implement a Manpower Planning System. Department of Health, Education, and Welfare.	HRD-77-1	. . . .	. . . .	. . . .	10-18-76
Hearing Loss Compensation Criteria Used by the Department of Labor under the Federal Employees' Compensation Act.	HRD	. . . .	. . . .	. . . .	12-27-76
Poor Enforcement of Davis-Bacon Act Labor Standards Provisions at HEW-Funded Facility Construction Project, Rice Lake, Wisconsin. Department of Labor.	HRD	. . . .	. . . .	. . . .	2-25-77
Research and General Education Aids					
National Science Foundation-Supported Science Education Materials: Problems in Evaluation, Distribution and Monitoring.	MWD-76-134			10-20-76	
Problems and Needed Improvements in Evaluating Office of Education Programs. Department of Health, Education, and Welfare.	HRD-76-165			9- 8-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
EDUCATION, MANPOWER, AND SOCIAL SERVICES - Continued					
Research and General Education Aids - Continued					
Office of Education's Basic Grant Program Can Be Improved. Department of Health, Education, and Welfare.	HRD-77-91	9-21-77			
Curriculum Case Studies Are of Questionable Quality But Helped Precollege Curriculum Activities. National Science Foundation (request of Representatives James W. Symington, Chairman, Subcommittee on Science, Research, and Technology, House Committee on Science and Technology, and Charles A. Mosher, Ranking Minority Member).	HRD-77-46	. . . .	5-	2-77	
Services to Indian Head Start Grantees Under a Special Program. Department of Health, Education, and Welfare (request of Senator Lee Metcalf and Representative John Melcher).	HRD-76-141	. . . .	. . . .	11-	4-76
History of Contract Awarded to Develop a Project Grant Information System. Office of Education (request of Senator William Proxmire).	HRD-77-47	. . . .	. . . .	4-	8-77
Questions Persist About Federal Support for Development of Curriculum Materials and Behavior Modification Techniques Used in Local Schools (request of Representative Albert H. Quie).	HRD-77-49	. . . .	. . . .	4-	15-77
Radiation Exposure from Diagnostic X-Rays Could Be Reduced. Department of Health, Education, and Welfare.	HRD-77-22	. . . .	. . . .	. . . .	11-24-76
Social Services					
The Well-Being of Older People in Cleveland, Ohio. Department of Health, Education, and Welfare.	HRD-77-70	4-19-77			
The Summer Feeding Program: How to Feed the Children and Stop Program Abuses. Department of Agriculture (request of Representative Carl D. Perkins, Chairman, House Committee on Education and Labor).	CED-77-59	. . . .	4-	18-77	
Local Area Agencies Help the Aging but Problems Need Correcting. Department of Health, Education, and Welfare (request of Representative John Brademas, Chairman, Subcommittee on Select Education, House Committee on Education and Labor; Senator Frank Church, Chairman, Senate Special Committee on Aging; and Senator Thomas F. Eagleton, Chairman, Subcommittee on Aging, Senate Committee on Human Resources).	HRD-77-82	. . . .	8-	2-77	
Management of the Seminole Employment Economic Development Corporation (request of Senator Lawton Chiles, Chairman, Subcommittee on Federal Spending Practices, Efficiency, and Open Government, Senate Committee on Governmental Affairs, and Others).	HRD-77-103	. . . .	9-	2-77	
Responsiveness to Public Inquiries by the Office of Employee Benefits Security. Department of Labor (request of Representative Alan Steelman).	HRD-77-7	. . . .	. . . .	10-	21-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
EDUCATION, MANPOWER, AND SOCIAL SERVICES - Continued					
Social Services - Continued					
Review of the National Commission on the Observance of International Women's Year (request of Representative Olin E. Teague and Senator Henry M. Jackson).	HRD-77-26	. . . . .	. . . . .	1-13-77	
	HRD-77-27	. . . . .	. . . . .	1-17-77	
Review of the Department of Health, Education, and Welfare's Office for Civil Rights (request of Senator Birch Bayh).	HRD-77-78	. . . . .	. . . . .	3-30-77	
Operation Heatwave Program at Gaston Community Action, Inc. Community Services Administration (request of Senator Jesse Helms).	HRD-77-100	. . . . .	. . . . .	6- 7-77	
Problems in the Administration of Cooperative Agreements in Indiana. Department of Health, Education, and Welfare.	HRD-77-20	. . . . .	. . . . .	. . . . .	11-26-76
Federal Council on the Aging Request for Information on the Cleveland Elderly Study. Department of Health, Education, and Welfare.	HRD-77-159	. . . . .	. . . . .	. . . . .	9-30-77
Training and Employment					
Need to Improve Foreign-Language Training Programs and Assignments for Department of Defense Personnel.	ID-76-73	. . . . .	. . . . .	. . . . .	11-24-76
FINANCIAL MANAGEMENT AND INFORMATION SYSTEMS					
Congressional Sourcebook. Recurring Reports to the Congress.	PAD-76-21	11-	1-76		
Congressional Sourcebook. Federal Program Evaluations. Requirements for Recurring Reports to the Congress.	PAD-76-22	1-	1-77		
Large Savings Possible in Mortgage Insurance Premium Payment System. Departments of Defense and Housing and Urban Development.	PAD-77-61	8-	8-77		
Information Requirements Document: Food and Nutrition Service, Department of Agriculture (parts I through VI) (request of Rep. Jamie L. Whitten and Sen. Gale W. McGee. Chairmen, House and Senate Committees on Appropriations).	FGMSD-77-12	8-	24-77		
Financial Management System Being Installed for the Central Government of the Trust Territory of the Pacific Islands (request of Representative Phillip Burton, Chairman, Subcommittee on National Parks, House Committee on Interior and Insular Affairs).	PAD-76-37	. . . . .	12-	1-76	
	FGMSD-77-27	. . . . .	4-	18-77	
Accounting Systems in Operation					
Twenty-Seven Years' Experience with Defense Industrial Funds. Department of Defense.	FGMSD-76-51	10-	5-76		
Millions of Dollars of Costs Incurred in Training Foreign Military Students Have Not Been Recovered. Department of Defense.	FGMSD-76-91	12-	14-76		
Improvements Needed in Recording and Reporting Appropriation Data at Fiscal Year End.	FGMSD-76-63	2-	17-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
FINANCIAL MANAGEMENT AND INFORMATION SYSTEMS - Continued					
Accounting Systems in Operation - Continued					
Loss of Millions of Dollars in Revenue Because of Inadequate Charges for Medical Care. Department of Defense.	FGMSD-76-102	3-		8-77	
Need to Apply Adequate Controls in the Army Standard Payroll System Prior to Implementation Defense-Wide.	FGMSD-77-4	7-		5-77	
Millions of Dollars in Delinquent Mortgage Insurance Premiums Should be Collected by the Department of Housing and Urban Development.	FGMSD-77-33	9-		8-77	
Reimbursement to Appropriations: Legislative Suggestions for Improved Congressional Control. Department of Defense (request of Representative George H. Mahon, Chairman, House Committee on Appropriations).	FGMSD-75-52	. . . .		11- 1-76	
Serious Breakdown in the Army's Financial Management Systems (request of Representative George H. Mahon, Chairman, House Committee on Appropriations).	FGMSD-76-74	. . . .		11- 5-76	
The Use of a Decentralized Audit Operation for Performing Reviews of United States Activities Overseas (request of Representative Clement J. Zablocki, Chairman, House Committee on International Relations).	ID-77-35	. . . .		4-22-77	
Department of Defense's Reexamination of Its Fiscal Year 1978 Budget as It Relates to Reimbursements of Foreign Military Training. Department of Defense (request of Representative George H. Mahon, Chairman, House Committee on Appropriations).	FGMSD-77-40	. . . .		5 - 6-77	
Controls over Government Agencies' Spending. Office of Management and Budget (request of Representative Paul G. Rogers).	PAD-77-43	. . . .	. . . .		12-22-76
Improprieties in Time and Attendance Practices at Medical Facilities. Bureau of Prisons, Department of Justice, and Public Health Service, Department of Health, Education, and Welfare (request of Senator Herman E. Talmadge).	FGMSD-76-79	. . . .	. . . .		1-14-77
Defense Action to Reduce Charges for Foreign Military Training Will Result in Loss of Millions of Dollars. Department of Defense (request of Representative Clarence D. Long).	FGMSD-77-17	. . . .	. . . .		2-23-77
Revolving Funds: Full Disclosure Needed for Better Congressional Control. Department of the Treasury and Office of Management and Budget (request of Representative Butler Derrick, Chairman, Task Force on Budget Controllability, House Committee on Budget).	PAD-77-25	. . . .	. . . .		8-30-77
Advertising Expenditures in Black-Owned Media. Departments of the Treasury, Defense, Housing and Urban Development, and Transportation; and Postal Service (request of Representative William L. Clay).	LCD-77-448	. . . .	. . . .		9-19-77
Review of Office of Secretary Accounting System. Department of Commerce.	FGMSD-77-5	. . . .	. . . .	. . . .	11-19-76
Navy Needs to Insure That Improper Costing of Work Projects Is Stopped. Department of Defense.	FGMSD-76-48	. . . .	. . . .	. . . .	11-29-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
FINANCIAL MANAGEMENT AND INFORMATION SYSTEMS - Continued					
Accounting Systems in Operation - Continued					
Controls over Undelivered Checks and Controls to Prevent Duplicate Payments. District of Columbia.	FGMSD-76-75	. . . . .	. . . . .	. . . . .	12- 7-76
Time and Attendance Procedures and Practices. Equal Opportunity Commission.	FGMSD	. . . . .	. . . . .	. . . . .	12- 8-76
System Used to Receive and Account for Cost of Administering the Foreign Military Sales Program. Department of the Air Force.	FGMSD	. . . . .	. . . . .	. . . . .	12- 9-76
Second Interim Report on Review of Accounting Systems for Collecting Insurance Premiums. Federal Housing Administration, Department of Housing and Urban Development.	FGMSD-77-7	. . . . .	. . . . .	. . . . .	12-13-76
Weaknesses in the Coast Guard's Financial Management Systems. Department of Transportation.	FGMSD-77-6	. . . . .	. . . . .	. . . . .	12-16-76
Accounting and Reimbursement for Foreign Military Sales.	FGMSD	. . . . .	. . . . .	. . . . .	1-28-77
Aircraft Compressor Blades for J-85 Engines Sold to Foreign Governments.	FGMSD	. . . . .	. . . . .	. . . . .	2-22-77
Billing and Collection System for Foreign Military Sales: Cases at the U.S. Army Tank-Automotive Material Readiness Command.	FGMSD	. . . . .	. . . . .	. . . . .	2-28-77
Controls and Accountability for Checks Returned to Treasury's Disbursing Centers and Regional Disbursing Offices.	FGMSD-76-56	. . . . .	. . . . .	. . . . .	3- 1-77
Sale of Central Air Data Test Benches to Foreign Governments.	FGMSD	. . . . .	. . . . .	. . . . .	3-14-77
Military Pay System and Travel Voucher Payments in Ninth Coast Guard District.	CED	. . . . .	. . . . .	. . . . .	3-18-77
Weaknesses in the Financial Controls of the National Flood Insurance Program. Department of Housing and Urban Development.	CED-77-43	. . . . .	. . . . .	. . . . .	3-21-77
Problems Found in Providing Foreign Governments Sales Credits for Unserviceable Assets Returned to the Air Force.	FGMSD	. . . . .	. . . . .	. . . . .	4-15-77
Controls over Payroll Operations for the Commissioned Corps of the Public Health Service. Department of Health, Education, and Welfare.	FGMSD-77-23	. . . . .	. . . . .	. . . . .	5- 3-77
Systems for Paying Property Taxes on Acquired Single-Family Property. Department of Housing and Urban Development.	FGMSD-77-38	. . . . .	. . . . .	. . . . .	5- 5-77
Survey of the Panama Canal Organization's Fiscal Year 1977 Capital Investment Program. Panama Canal Co. and Canal Zone Government.	ID	. . . . .	. . . . .	. . . . .	5-11-77
Survey of Regional Finance and Data Processing Center in Paris, France. Department of State.	ID	. . . . .	. . . . .	. . . . .	5-17-77
Reporting, Staffing, and Other Changes Would Enhance the Internal Audit Function. Department of Commerce.	CED-77-58	. . . . .	. . . . .	. . . . .	6- 1-77
Automating Loan Accounting Operations. Agency for International Development.	ID	. . . . .	. . . . .	. . . . .	6-10-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
FINANCIAL MANAGEMENT AND INFORMATION SYSTEMS - Continued					
Accounting Systems in Operation - Continued					
Energy Research and Development Administration: Procedures Used to Establish and Control Accounts Receivable.	FGMSD-77-25	. . . . .	. . . . .	. . . . .	6-22-77
Forest Service's Accounting System for Accounts Receivable. Department of Agriculture.	FGMSD-77-42	. . . . .	. . . . .	. . . . .	7-11-77
Adequacy of the Policies and Procedures Used to Establish, Control, Collect, or Otherwise Liquidate Ac- counts Receivable Arising From the Public.	FGMSD-77-29	. . . . .	. . . . .	. . . . .	7-27-77
Procedures Used by the Internal Revenue Service to Provide Taxpayers With Refunds Not Initially Delivered by the Postal Service. Department of the Treasury.	FGMSD-77-9	. . . . .	. . . . .	. . . . .	8- 4-77
Financial Review of the Navajo and Hopi Indian Reloca- tion Commission's Activities for the Fiscal Year Ended June 30, 1976. Department of the Interior.	FGMSD-77-13	. . . . .	. . . . .	. . . . .	8- 5-77
Department of Labor Accounts Receivable From the Public as Reported to the Treasury as of September 30, 1976.	FGMSD-77-31	. . . . .	. . . . .	. . . . .	8-17-77
Savings Available by Using Airline Discount Fares.	FGMSD-77-67	. . . . .	. . . . .	. . . . .	8-25-77
Accounts Receivable From the Public Reported by the Treasury's Bureau of Government Financial Operations as of September 30, 1976.	FGMSD-77-30	. . . . .	. . . . .	. . . . .	8-30-77
Cost-Related Medicaid Reimbursements to Nursing Homes in the State of Kansas. Department of Health, Education, and Welfare.	HRD	. . . . .	. . . . .	. . . . .	9- 2-77
Social Security Administration's Accounts Receivable Procedures and Practices. Department of Health, Education, and Welfare.	FGMSD-77-32	. . . . .	. . . . .	. . . . .	9- 6-77
Recovery of the Cost of Normal Inventory Operating Stock Losses on Sales of Articles to Foreign Governments. Department of Defense.	FGMSD-77-43	. . . . .	. . . . .	. . . . .	9- 8-77
Accounts Receivable From the Public as Reported to the Treasury by CSC in Its Statement of Financial Condi- tion as of September 30, 1976. Civil Service Commis- sion.	FGMSD-77-41	. . . . .	. . . . .	. . . . .	9-15-77
Centralization of the Billing and Collecting Functions of the Foreign Military Sales Program. Department of Defense.	FGMSD-77-46	. . . . .	. . . . .	. . . . .	9-16-77
Defense Accounting System for Assets Returned by Foreign Governments.	FGMSD	. . . . .	. . . . .	. . . . .	9-21-77
Need to Apply Adequate Control in the Centralized Payroll System. Department of Health, Education, and Welfare.	FGMSD-77-51	. . . . .	. . . . .	. . . . .	9-22-77
Potential Overobligations in Army Procurement Ap- propriations.	FGMSD	. . . . .	. . . . .	. . . . .	9-26-77
Improper Adjustments to Fiscal Year 1972 Other Procure- ment Army Appropriations. Department of the Army.	FGMSD-77-80	. . . . .	. . . . .	. . . . .	9-28-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
FINANCIAL MANAGEMENT AND INFORMATION SYSTEMS - Continued					
Internal Audits					
An Overview of Federal Internal Audit.	FGMSD-76-50	11-29-76			
Internal Audit Coverage of Financial Matters in the Department of Justice.	FGMSD-77-28	5-13-77			
Why the Army Should Strengthen Its Internal Audit Function.	FGMSD-77-49	7-26-77			
Need for More Effective Cross-Service Auditing Arrangements. Multiagency.	FGMSD-77-55	9-26-77			
Authority and Resources of the Deputy Assistant Secretary of Defense (Audit). Department of Defense (request of Representative Jack Brooks, Chairman, Legislation and National Security Subcommittee, House Committee on Government Operations).	FGMSD-77-52	. . . .	7-14-77		
Audit Coverage of Internal Financial Operations. Department of Agriculture.	FGMSD-76-84	. . . .	. . . .	. . . .	10- 8-76
Opportunities to Improve Audit Operations. Department of Housing and Urban Development.	FGMSD-76-83	. . . .	. . . .	. . . .	10-19-76
Greater Audit Coverage of Internal Financial Operations Is Needed. Veterans Administration.	FGMSD-77-3	. . . .	. . . .	. . . .	11-19-76
Actions Needed to Strengthen the New Defense Internal Audit Service. Department of Defense.	FGMSD-77-11	. . . .	. . . .	. . . .	1-27-77
Potential for Improvement of Internal Audit Function. Department of the Interior.	FGMSD-77-26	. . . .	. . . .	. . . .	5-31-77
Review and Approval of Accounting Systems					
Status, Progress and Problems in Federal Agency Accounting During the 15 Months Ended September 30, 1976.	FGMSD-77-21	8-24-77			
GENERAL GOVERNMENT					
Government Agency Transactions with the Federal Financing Bank Should Be Included on the Budget. Department of the Treasury, Federal Financing Bank, and Office of Management and Budget.	PAD-77-70	8- 3-77			
Responsibility for Developing An Inventory of Federal Programs. Congressional Budget Office (request of Senator Edmund S. Muskie, Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs).	PAD-77-56	. . . .	4-27-77		
Information on Federal Regulatory Programs and Activities (request of Senator Edmund S. Muskie, Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs).	PAD-77-63	. . . .	5-26-77		
Central Fiscal Operations					
Federal Supervision of State and National Banks, Vols. I (Highlights) and II. Department of the Treasury, Federal Deposit Insurance Corp., Federal Reserve System, and Office of the Comptroller of the Currency (request of Senator William Proxmire, Chairman,	OCG-77-1	1-31-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
GENERAL GOVERNMENT - Continued					
Central Fiscal Operations - Continued					
Senate Committee on Banking, Housing, and Urban Affairs; Representatives Henry S. Reuss, Chairman, House Committee on Banking, Currency, and Housing; Wright Patman, Chairman, Subcommittee on Domestic Monetary Policy, House Committee on Banking, Currency and Housing; Fernand J. St. Germain, Chairman, Subcommittee on Financial Institutions Supervision, Regulation, and Insurance, House Committee on Banking, Currency, and Housing; and Benjamin S. Rosenthal, Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations).					
Audit of Financial Statements of the Federal Financing Bank, Fiscal Years 1975 and 1976. Department of the Treasury.	GGD-77-36	4-27-77			
Timeliness of the Statistics of Income. Internal Revenue Service (request of Representative Charles A. Vanik, Chairman, Subcommittee on Oversight, House Committee on Ways and Means).	PAD-77-3	. . . .		10-20-76	
Review of Requests for Supplemental Appropriations to Meet October 1976 Federal Pay Raise. Department of State, Agency for International Development, Export-Import Bank, and ACTION (request of Senator Daniel K. Inouye, Chairman, Subcommittee on Foreign Operations, Senate Committee on Appropriations).	ID-77-22	. . . .		3- 4-77	
Replacing Lost or Stolen Government Checks: Expedited Service versus Costs and Risks. Department of the Treasury, and Social Security Administration (request of Representative Elizabeth Holtzman).	GGD-77-65	. . . .	. . . .		7-19-77
Review of Billing Procedures by Federal Reserve Banks Acting as Fiscal Agents of the Treasury. Department of the Treasury.	GGD	. . . .	. . . .	. . . .	2- 1-77
Examination of Financial Statements of Alaska Federal Power Program. Department of Commerce.	EMD-77-17	. . . .	. . . .	. . . .	2-11-77
Central Personnel Management					
Actions Needed to Improve the Federal Communication Commission's Financial Disclosure System.	FPCD-76-51	12-21-76			
The Food and Drug Administration's Financial Disclosure System for Special Government Employees: Progress and Problems. Department of Health, Education, and Welfare.	FPCD-76-99	1-24-77			
An Improved Financial Disclosure System. Energy Research and Development Administration (request of Representative John E. Moss).	FPCD-77-14	1-26-77			
Action Needed to Make the Executive Branch Financial Disclosure System Effective. Civil Service Commission.	FPCD-77-23	2-28-77			
Special Travel Benefits for Federal Employees in Hawaii, Alaska, and Similar Areas Outside the Continental	FPCD-76-65	3- 2-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
GENERAL GOVERNMENT - Continued					
Central Personnel Management - Continued					
United States Should Be Changed. Civil Service Commission, General Services Administration, and Office of Management and Budget.					
Financial Disclosure Systems in Banking Regulatory Agencies. Office of the Comptroller of the Currency and Department of the Treasury.	FPCD-77-29	3-23-77			
System for Processing Individual Equal Employment Opportunity Discrimination Complaints: Improvements Needed. Civil Service Commission, and Department of Defense (request of Senator Harrison A. Williams, Jr., Chairman, Senate Committee on Labor and Public Welfare).	FPCD-76-77	4- 8-77			
The Federal Deposit Insurance Corporation's Financial Disclosure Regulations Should Be Improved (request of Representative Benjamin S. Rosenthal, Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations).	FPCD-77-49	6- 1-77			
Personnel Ceilings: A Barrier to Effective Manpower Management Civil Service Commission and Office of Management and Budget.	FPCD-76-88	6- 2-77			
How the Army Planned for Three New Divisions and How This Can Be Improved (Unclassified Digest) (Confidential).	LCD-76-454	8- 4-77			
Proposals Regarding the Federal Reserve Board's Financial Disclosure System (request of Representative Benjamin S. Rosenthal, Chairman, Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations).	FPCD-77-46	8-12-77			
Problems in the Federal Equal Employment Opportunity Program Need to Be Resolved. Civil Service Commission (request of Senator Harrison A. Williams, Jr., Chairman, Senate Committee on Labor and Public Welfare).	FPCD-76-85	9- 9-77			
Benefits from Flexible Work Schedules-Legal Limitations Remain. Civil Service Commission.	FPCD-77-62	9-26-77			
Conflicting Congressional Policies: Veterans' Preference and Apportionments v. Equal Employment Opportunity (request of Senator Harrison A. Williams, Jr., Chairman, Senate Committee on Labor and Public Welfare).	FPCD-77-61	9-29-77			
Pay, Allowances, and Perquisite Benefits of Executive Positions of the 11 Executive Departments (request of Vincent P. Rock, Staff Director, Senate Commission on the Operation of the Senate).	FPCD-77-4	. . . .		10-27-76	
Review of Strike Prevention and Contingency Planning of Selected Federal Agencies. Civil Service Commission; Departments of the Air Force, Army, Navy, Treasury, Agriculture, and Health, Education, and Welfare;	FPCD-76-94	. . . .		11-17-76	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
Central Personnel Management - Continued					
Federal Aviation Administration; General Services Administration; National Oceanic and Atmospheric Administration; Veterans Administration; and Postal Service (request of Representative David N. Henderson, Chairman, House Committee on Post Office and Civil Service).					
Need for an Adjustment in Top Executive, Legislative, and Judicial Salaries.	FPCD-77-31	. . . .		2- 8-77	
Extent of Use and Application of Fitness-for-Duty Examinations by Federal Agencies (request of Gladys Noon Spellman, Chairman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service).	FPCD-77-38	. . . .		5-13-77	
Greater U.S. Government Efforts Needed to Recruit Qualified Candidates for Employment by U.N. Organizations. Departments of Agriculture; Health, Education, and Welfare; State, and Agency for International Development (request of Senator Abraham Ribicoff, Chairman, Senate Committee on Governmental Affairs).	ID-77-14	. . . .		5-16-77	
Management of Civilian Personnel in the Federal Government: The Present Situation and Proposals for Improvements. Civil Service Commission.	FPCD-77-36	. . . .		6- 6-77	
The Work Measurement System of the Department of Housing and Urban Development Has Potential but Needs Further Work to Increase Its Reliability (request of Senator William Proxmire, Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations).	FPCD-77-53	. . . .		6-15-77	
Payment of an Annual Housing Supplement to Employees Assigned to the U.S. Mission to the United Nations in New York. Department of State (request of Senator Ernest F. Hollings, Chairman, Subcommittee on State, Justice, Commerce, and Judiciary, Senate Committee on Appropriations).	ID-77-58	. . . .		9-26-77	
Reorganization of the Army International Logistics Center, New Cumberland Army Depot, Pennsylvania (request of Senator Richard S. Schweiker).	FPCD-77-1	. . . .	. . . .	10- 8-76	
Limited Executive and "Rare Bird" Assignments in Selected Agencies. Civil Service Commission; Small Business Administration; Departments of Labor, Health, Education, and Welfare, and Housing and Urban Development; and Environmental Protection Agency (request of Representative John E. Moss).	FPCD-76-89	. . . .	. . . .	10- 8-76	
Department of Defense's Efforts to Develop and Implement New Military Service Guidelines for Assembling and Reporting Statistical Data on Enlisted Retention (request of Representative Les Aspin).	FPCD-77-6	. . . .	. . . .	11-17-76	
Reorganization of the National Aeronautics and Space Administration's Western Test Range at Vandenberg Air	FPCD-77-65	. . . .	. . . .	7-22-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
Central Personnel Management - Continued					
Force Base, California (request of Representative Robert J. Lagomarsino).					
Survey of Utilization of Training Received by Civilian Employees of the Internal Revenue Service, Department of the Treasury.	FPCD-76-96E	. . . . .	. . . . .	. . . . .	10-22-76
Survey of Utilization of Training Received by Civilian Employees of the Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury.	FPCD-76-96D	. . . . .	. . . . .	. . . . .	10-22-76
Survey of Utilization of Training Received by Civilian Employees of the Forest Service, Department of Agriculture.	FPCD-76-96C	. . . . .	. . . . .	. . . . .	10-26-76
Survey of Utilization of Training Received by Civilian Employees at GSA.	FPCD-76-96B	. . . . .	. . . . .	. . . . .	10-27-76
Survey of Utilization of Training Received by Civilian Employees at the Army Material Development and Readiness Command.	FPCD-76-96A	. . . . .	. . . . .	. . . . .	10-27-76
Review of Upward Mobility Using Job Restructuring: Department of the Interior. Civil Service Commission.	FPCD-76-84	. . . . .	. . . . .	. . . . .	11- 3-76
Review of Upward Mobility Using Job Restructuring: Department of the Army.	FPCD-77-3	. . . . .	. . . . .	. . . . .	12-13-76
Upward Mobility Using Job Restructuring for Civilian Employees of the Department of the Navy.	FPCD-77-9	. . . . .	. . . . .	. . . . .	1- 7-77
Upward Mobility Using Job Restructuring for Civilian Employees of the Department of the Air Force.	FPCD-77-8	. . . . .	. . . . .	. . . . .	1-10-77
Statutory Appeals Available to Federal Employees. Civil Service Commission.	FPCD-77-21	. . . . .	. . . . .	. . . . .	2- 8-77
Strike Prevention and Contingency Planning of Selected Federal Agencies. Civil Service Commission (request of Representative David N. Henderson, Chairman, House Committee on Post Office and Civil Service).	FPCD-77-41	. . . . .	. . . . .	. . . . .	3-11-77
Upward Mobility Program Can Be Improved in the Department of Agriculture.	FPCD-77-2	. . . . .	. . . . .	. . . . .	3-21-77
Review of Coast Guard's Military Pay and Allowance System.	CED	. . . . .	. . . . .	. . . . .	3-25-77
Review of Upward Mobility Programs. Civil Service Commission; Departments of the Air Force, Army, Interior, Navy, and Agriculture; and General Services Administration.	FPCD-77-10	. . . . .	. . . . .	. . . . .	3-28-77
Remedies Available to Third Parties in Adjudicating Federal Employee Grievances. Civil Service Commission, Department of Labor, and Federal Mediation and Conciliation Service.	FPCD-76-68	. . . . .	. . . . .	. . . . .	3-30-77
How the Fair Labor Standards Act Affects Federal Agencies and Employees. Civil Service Commission and Departments of the Treasury; Defense; Health, Education, and Welfare; Labor; and Transportation.	FPCD-76-95	. . . . .	. . . . .	. . . . .	4-18-77
Improper Relocation Allowance Paid to William C. Dorcy, Alaska Railroad General Manager.	CED	. . . . .	. . . . .	. . . . .	4-27-77
Survey of Equal Employment Opportunity Training. Civil Service Commission and Departments of the Navy;	FPCD-77-24 through	. . . . .	. . . . .	. . . . .	5-12-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
Central Personnel Management - Continued					
Health, Education, and Welfare; and Housing and Urban Development.	FPCD-77-27				
Civil Service Commission's Procedures and Processes Used in Hiring Clerical and Technical Employees. Civil Service Commission.	FPCD-77-5	. . . .	. . . .	. . . .	5-27-77
Payment of Special Allowances, Not Specifically Authorized by Statute, to Inspectors of the Office of the Inspector General, Foreign Service, Department of State.	ID-77-46	. . . .	. . . .	. . . .	7-27-77
Standardized Federal Regions: Little Effect on Agency Management of Personnel. General Services Administration, and Office of Management and Budget.	FPCD-77-39	. . . .	. . . .	. . . .	8-17-77
Executive Direction and Management					
Management Action Needed in the Department of Defense to Realize Benefits from a New System of Aircraft Maintenance. Department of the Navy.	LCD-76-443	11-10-76			
Long-Range Analysis Activities in Seven Federal Agencies. Departments of Agriculture, Commerce, Defense, Interior; Energy Research and Development Administration; Environmental Protection Agency; and Federal Energy Administration.	PAD-77-18	12- 3-76			
Federally Assisted Area-wide Planning; Need to Simplify Policies and Practices. Office of Management and Budget.	GGD-77-24	3-28-77			
GAO Response to Questions Concerning the Operations of the Federal Government (request of Representative Lamar Gudger).	PAD-77-41	3-28-77			
Financial Disclosure for High-Level Executive Officials: The Current System and the New Commitment. Civil Service Commission (request of Representative John E. Moss).	FPCD-77-59	8- 1-77			
Technical Assistance: A Way to Promote Better Management of Guam's Resources and to Increase Its Self-Reliance. Department of the Interior.	GGD-77-80	9-13-77			
Executive Agencies Can Do Much More in Using Government Owned Space as an Alternative to Leasing or New Construction. Department of the Army.	LCD-77-314	9-27-77			
An Organized Approach to Improving Federal Procurement and Acquisition Practices. Departments of Defense and Transportation; Energy Research and Development Administration, Federal Procurement Institute, General Services Administration, National Aeronautics and Space Administration, Office of Federal Procurement Policy, and Office of Management and Budget.	PSAD-77-128	9-30-77			
Leave and Travel for the Administrator of GSA (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce.	LCD-77-316	. . . .	1-24-77		
Followup Review of the Office of Management and Budget's Federal Reports Act Responsibilities (request	GGD-77-38	. . . .	5-25-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
Executive Direction and Management - Continued					
of Senator James R. Sasser, Chairman, Subcommittee on General Services, Senate Committee on Governmental Affairs).					
Compilation of Recommendations to the Office of Management and Budget for Improving Government Operations (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	GGD-77-85	. . . .	9-13-77		
Review of Federal Policies Governing the Assignment and Charging for Space and Related Services in Government Facilities for Non-Government Activities. General Services Administration and Office of Management and Budget.	FPCD-77-63	. . . .	. . . .	. . . .	3-30-77
General Property and Records Management					
Federal Supply Service Not Buying Goods at Lowest Possible Price. General Services Administration.	PSAD-77-69	3-	4-77		
Procedures Used For Holding Architects and Engineers Responsible for the Quality of Their Design Work. Department of Defense, General Services Administration, and Office of Management and Budget	LCD-76-333	7-	14-77		
What Needs to be Done to Improve the District's Supply System. District of Columbia.	GGD-77-32	9-	27-77		
Proposed Lease of Space in a Building at 400 North Capitol Street, Washington, D.C. (request of Nelson A. Rockefeller, President of the Senate).	LCD-76-353	. . . .	10-	1-76	
Settlement of Contractor Claims for Construction of a Federal Building in Hawaii. General Services Administration (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	LCD-77-311	. . . .	1-	12-77	
GSA's Cost Analyses for Relocation of Federal Agencies to a Leased Building at Buzzard Point. Federal Energy Administration (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	LCD-77-317	. . . .	2-	7-77	
Additional Information on Relocation of Federal Agencies to Buzzard Point. General Services Administration and Federal Energy Administration (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	LCD-77-347	. . . .	5-	12-77	
Interim Report on GSA Agreements Concerning the New Federal Building in Indianapolis, Indiana. General Services Administration (request of Representative Andrew Jacobs, Jr.).	LCD-77-306	. . . .	. . . .	11-	11-76
Sealed Bid Practices for Surplus Property Sales. General Services Administration (request of Representative William A. Steiger).	LCD-77-209	. . . .	. . . .	1-	28-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
GENERAL GOVERNMENT - Continued					
General Property and Records Management - Continued					
Further Improvements to a Building Leased for the Social Security Administration Should Not Be Made if the Activities Will Be Consolidated Elsewhere. Department of Health, Education and Welfare, and General Services Administration (request of Representative Elizabeth Holtzman).	LCD-76-351	. . . . .	. . . . .	4- 6-77	
Inquiry Concerning GAO's Recommended Change in the Pricing of GSA Credit Change Orders (request of Representatives Caldwell Butler, Samuel L. Divine, Gunn McKay, Dawson Mathis, and James P. Santini, and Senators Harry F. Byrd, Jr., Howard Canon, Jake Garn, Gary Hart, Orrin G. Hatch, Paul Laxalt, Charles H. Percy, and Lowell P. Weicker, Jr.).	LCD-77-326 through LCD-77-339	. . . . .	. . . . .	4- 7-77	
Information on the Art Work for the Social Security Administration's Great Lakes Program Center in Chicago, Illinois. General Services Administration (request of Senators Jacob K. Javits, and Harry S. Byrd).	PAD-77-57 through PAD-77-59	. . . . .	. . . . .	5-10-77	
Complaint of Clauss Cutlery Company on Award of GSA Scissors and Shears Contracts (request of Representative Delbert L. Latta).	PSAD-77-122	. . . . .	. . . . .	6- 1-77	
Information Concerning the New Federal Office Building in Indianapolis, Indiana. General Services Administration (request of Representative Andrew Jacobs, Jr.).	LCD-77-346	6- 2-77	
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Awarding of Requirement-Type Contracts for Repair of Electrical Equipment. General Services Administration (request of Senators Harry F. Byrd, Jr., and William L. Scott).	PSAD-77-136	7-29-77	
Policy and Practices of Selected Government Agencies in the Release of Mailing Lists to Requestors. Departments of Treasury, Commerce, Defense, Transportation, Justice, Health, Education and Welfare, General Services Administration, Nuclear Regulatory Commission, Postal Service, and Veterans Administration (request of Representative Charles A. Vanik).	LCD-77-112	. . . . .	. . . . .	8-25-77	
No Cafeteria for Federal Employees at Waterside Mall. General Services Administration, and Environmental Protection Agency (request of Representative Charlie Rose).	LCD-77-349	. . . . .	. . . . .	9-20-77	
Inquiry into the Management of Federal Records. General Services Administration, and National Archives and Records Service.	LCD	. . . . .	. . . . .	. . . . .	10-18-76
Methods GSA Uses to Establish Prices for Construction Contract Changes. Office of Management and Budget.	LCD-77-304	. . . . .	. . . . .	. . . . .	11-23-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
General Property and Records Management - Continued					
Federal Supply Service Multiple Award Program Contracting Procedures.	PSAD-77-87	. . . .	. . . .	. . . .	3-11-77
Review of the Acquisition of Police Department Sedans. District of Columbia.	GGD	. . . .	. . . .	. . . .	3-16-77
Federal Supply Service Self-Service Stores Can Be Improved.	PSAD-77-60	. . . .	. . . .	. . . .	4-14-77
Review of Motor Fleet Management, Need to Strengthen Gasoline Supply Controls. District of Columbia.	GGD	. . . .	. . . .	. . . .	7- 1-77
How the Item Reduction Program of the General Services Administration Could be More Effective.	LCD-76-459	. . . .	. . . .	. . . .	7-11-77
Site Selection by the Postal Service.	GGD	. . . .	. . . .	. . . .	7-19-77
Legislative Functions					
Audit of the United States Capitol Historical Society for the Year Ended January 31, 1976.	GGD-77-5	12-	3-76		
Summary of Open GAO Recommendations for Legislative Action as of December 31, 1976.	OCR-77-1002	2-	16-77		
Audit of the Minority Printing Clerk, Fiscal Years Ended September 30, 1974, 1975, and 1976. House of Representatives.	GGD-77-41	3-	31-77		
Audit of the Majority Printing Clerk, Fiscal Years Ended August 31, 1974, 1975, and 1976.	GGD-77-42	3-	31-77		
Audit of Financial Transactions of the Sergeant at Arms for Fiscal Year 1976. House of Representatives.	GGD-77-111	. . . .	11-	1-76	
Audit of the Food Service Contract with the Marriott Corporation (request of Representative Lindy Boggs, Chairwoman, Joint Committee on Arrangements for Commemoration of the Bicentennial).	GGD-77-10	. . . .	12-	14-76	
GAO's Views on Export-Import Bank Being an Off-Budget Agency (request of Representative Thomas M. Rees, Chairman, Subcommittee on International Trade, Investment and Monetary Policy, House Committee on Banking, Currency, and Housing).	ID-77-4	12-	17-76	
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Audit of the Activities of the Office Equipment Service for the Fiscal Year Ended June 30, 1976 (request of Edmund L. Henshaw, Jr., Clerk of the House of Representatives)	GGD-77-11	12-	27-76	
Analysis of Members' New Allowance System (request of Representative David R. Obey, Chairman, House Commission on Administrative Review).	GGD-77-18	. . . .	1-	11-77	
Treatment of Budget Authority for the Emergency Mortgage Purchase Assistance Program of the Government National Mortgage Association. Department of Housing and Urban Development, and Office of	PAD-77-30	. . . .	1-	31-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
GENERAL GOVERNMENT - Continued				
Legislative Functions - Continued				
Management and Budget (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).				
Audit of the Office of the Attending Physician Revolving Fund: August 1, 1975, through September 30, 1976 (request of the Attending Physician of the United States Congress).	GGD-77-29		3- 9-77
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GAO's Views on Off Budget Agencies. Postal Service, United States Railway Association, Pension Benefit Guaranty Corp., Federal Financing Bank, Department of the Treasury, and Office of Management and Budget (request of Representative Robert N. Giaimo, Chairman, House Committee on the Budget).	PAD-77-55		5- 9-77
Audit of the House of Representatives Restaurant Revolving Fund: July 6, 1975, to July 3, 1976 (request of Representative Frank Thompson, Jr., Chairman, House Committee on Administration).	GGD-77-31	. . . .		5-19-77
Audit of the Stationery Revolving Fund: Fiscal Year 1976 (request of Edmund L. Henshaw, Jr., Clerk of the House of Representatives).	GGD-77-35	. . . .		5-19-77
Audit of the House Beauty Shop, Calendar Year 1976 (request of Representative Yvonne Braithwaite Burke, Chairperson, House Select Committee on the House Beauty Shop).	GGD-77-54	. . . .		6- 8-77
Audit of the United States Senate Restaurants Revolving Fund, June 29, 1975, to October 2, 1976.	GGD-77-34	. . . .		6-13-77
Review of American Indian Policy Review Commission (request of Senator James Abourezk, Chairman, American Indian Policy Review Commission).	GGD-77-62	. . . .		6-29-77
Secretary of the Senate Accountability as of March 31, 1977 (request of Senator Howard W. Cannon, Chairman, Senate Committee on Rules and Administration).	GGD-77-66	. . . .		7-13-77
Audit of the Senate Recording Studio Revolving Fund for the Fiscal Year Ended March 31, 1977 (request of F. Nurdy Hoffman, Sergeant at Arms, U.S. Senate).	GGD-77-77	. . . .		8-17-77
Audit of the House Recording Studio Revolving Fund for the Fiscal Year Ended March 31, 1977 (request of Edmund L. Henshaw, Jr., Clerk of the House of Representatives).	GGD-77-81		8-25-77
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Other General Government				
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
GENERAL GOVERNMENT - Continued				
Other General Government - Continued				
Improved Reporting Needed on the Status of Selected Major Civil Acquisitions. Departments of Transportation and the Army, Energy Research and Development Administration, Bureau of Reclamation, Federal Aviation Administration, Federal Highway Administration, and Urban Mass Transportation Administration.	PSAD-77-5	12-29-76		
Summaries of Conclusions and Recommendations on the Operations of Civil Departments and Agencies. Multiagency.	HRD-77-33	1-17-77		
Government Printing Operation Improvements Since 1974. Government Printing Office, Departments of the Army, Air Force, and Treasury, and General Services Administration	LCD-77-408	2-22-77		
Examination of Financial Statements, Bureau of Engraving and Printing Fund, for Fiscal Years 1974 and 1975 Shows Need for Statutory Authority to Increase Capitalization. Department of the Treasury.	FOD-76-22	3- 7-77		
Summary of Actions Being Taken in the United States to Control Questionable Corporate Payments in Foreign Countries.	OP-77-1	5- 2-77		
Government Printing Office Production and Management Controls: Improvement Opportunities.	LCD-77-410	5- 4-77		
The Force of the Public Utility Holding Act Has Been Greatly Reduced by Changes in the Securities and Exchange Commission's Enforcement Policies.	FGMSD-77-35	6-20-77		
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Standard Budgetary Definitions. Department of the Treasury, Office of Management and Budget, General Accounting Office, and Congressional Budget Office.	PAD-77-9	8-24-77		
Progress in Improving Program and Budget Information for Congressional Use.	PAD-77-73	8-30-77		
Monitoring the Development of the Federal Power Commission's Regulatory Information System.	GGD-77-95	9-30-77		
Reduction of GSA's Region 3 Printing Plant Workload (request of Representative Frank Thompson, Jr., Chairman, Joint Committee on Printing).	LCD-77-407	. . . .	11-17-76	
Alternatives to Constructing a New Denver Mint. Department of the Treasury, and Bureau of the Mint (request of Senator William Proxmire, Chairman, Senate Committee on Banking, Housing, and Urban Affairs).	LCD-76-458	. . . .	12- 6-76	
Review of the Legality of Using Unexpended Capital Project Fund Balances. District of Columbia (request of the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations).	GGD-77-22	. . . .	1-24-77	
Specific Items at GPO Related to 1976 Appropriation Hearings (request of Senator Walter D. Huddleston,	LCD-77-413	. . . .	2-11-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members	Agency Officials
GENERAL GOVERNMENT - Continued				
Other General Government - Continued				
Chairman, Subcommittee on Legislative Branch, Senate Committee on Appropriations).				
Travel in the Management and Operation of Federal Programs. Department of State, Federal Aviation Administration, General Services Administration, National Institutes of Health, and Office of Management and Budget (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	FPCD-77-11	. . . .		3-17-77
Billion Dollar Congress. Government Printing Office and Library of Congress (request of Senator Walter D. Huddleston, Chairman, Subcommittee on Legislative Branch, Senate Committee on Appropriations).	PAD-77-38	. . . .		3-24-77
Additional Information on Grant Funds to Eisenhower College. Department of the Treasury (request of Representative Henry S. Reuss, Chairman, House Committee on Banking, Finance and Urban Affairs).	GGD-77-47	. . . .		3-30-77
Need to Strengthen Financial Accountability to the Congress. Smithsonian Institution (request of Senator Robert C. Byrd, Chairman, Subcommittee on Interior, Senate Committee on Appropriations, and Senator Ted Stevens, Ranking Minority Member).	GGD-77-43	. . . .		3-31-77
Misuse of Unexpended Capital Outlay Fund Balances. District of Columbia (request of Senator Lawton Chiles, Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations).	GGD-77-39	. . . .		5-10-77
The Customs Reception: Relatively Few Complaints But They Could Be Handled Better (request of Senator Abraham Ribicoff, Chairman, Subcommittee on International Trade, Senate Committee on Finance).	GGD-77-59	. . . .		7-26-77
Smithsonian Institution's Banking Practices for Private Funds (request of Senator Robert C. Byrd, Chairman, Subcommittee on Interior, Senate Committee on Appropriations, and Senator Ted Stevens, Ranking Minority Member).	GGD-77-67	. . . .		9-20-77
An Assessment of Capacity Utilization Statistics, Strengths and Weaknesses. Department of Commerce and Federal Reserve System (request of Representative John Y. McCollister).	CED-77-3	10-28-76
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Action of OMB Designed to Expand the Amount of Contracting Out of Functions Now Performed by Civil Service Employees. Civil Service Commission (request of Representative Clarence J. Brown)	PSAD-77-79	2-16-77
Television Production Costs in the Federal Government. Multiagency (request of Senator Barry Goldwater).	LCD-77-415	. . . .	. . . .	3-18-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL GOVERNMENT - Continued					
Other General Government - Continued					
Better Evaluations Needed to Weed Out Useless Federal Advisory Committees (request of Senator Hubert H. Humphrey).	GGD-76-104	. . . . .	. . . . .	4- 7-77	
Cost Estimates to Implement the Recommendations Made by the American Indian Policy Review Commission. Department of the Interior (request of Representative Lloyd Meeds).	CED-77-75	. . . . .	. . . . .	5- 9-77	
Interest Cost Exclusion From State and Local Government Cost Principles (request of Representative Don H. Clausen).	GGD-77-50	. . . . .	. . . . .	5- 9-77	
Public Relations Personnel Costs in 20 Federal Agencies and Various Other Costs. Departments of Defense and Agriculture, Civil Service Commission, and General Services Administration (request of Senator William L. Scott).	LCD-77-424	6-10-77	
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Information-Gathering Activities of the Federal Maritime Commission.	ACGRR-77-1	10-21-76
Information-Gathering Activities of the Nuclear Regulatory Commission.	ACGRR-77-3	. . . . .	. . . . .	. . . . .	12-28-76
Audit of the Procurement System of the State of Oregon. Report to Chief, Internal Audit, Bureau of Engraving and Printing, on Results of Fiscal Year 1976 Audit Work.	PSAD-77-15 FOD	1-10-77 3-18-77
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Information - Gathering Practices of the Commodity Futures Trading Commission.	GGD-77-52	5-26-77
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Survey of the Management Functions of the Department of Recreation. District of Columbia.	GGD	7-25-77
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Tax Administration					
How the Internal Revenue Service Selects Individual Income Tax Returns for Audit. Department of the Treasury (request of Joint Committee on Internal Revenue Taxation).	GGD-76-55	11- 5-76		
Audit of Individual Income Tax Returns by the Internal Revenue Service. Department of the Treasury (request of Joint Committee on Taxation).	GGD-76-54	. . . . .	12- 2-76		
Action Being Taken to Prevent Refundable Payments of Social Security and Federal Unemployment Taxes by	GGD-76-102	. . . . .	2- 1-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
GENERAL GOVERNMENT - Continued				
Tax Administration - Continued				
Charitable Organizations. Internal Revenue Service and Department of the Treasury (request of Joint Committee on Taxation).				
Simplification of Tax Form 1040A. Internal Revenue Service. (request of Joint Committee on Taxation).	GGD-77-26	. . . .	2-	9-77
Extending the Tax Assessment Period: Why, How Often, and What Improvements Can be Made (request of Joint Committee on Taxation).	GGD-76-108	. . . .	3-	28-77
Alcohol and Tobacco Excise Taxes: Laws and Audits Need Modernizing. Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury, and Internal Revenue Service (request of Joint Committee on Taxation).	GGD-76-91	. . . .	4-	8-77
Failure of Tax-Exempt Organizations to File Employment Tax Returns (request of Joint Committee on Taxation).	GGD-77-48	. . . .	4-	20-77
Survey of the Internal Revenue Service's Use of 100 Percent Penalty Assessments. Department of the Treasury (request of Joint Committee on Taxation).	GGD-77-49	. . . .	5-	3-77
IRS's Security Program Requires Improvements to Protect Confidentiality of Income Tax Information (request of Joint Committee on Taxation).	GGD-77-44	. . . .	7-	11-77
Need to Amend the Internal Revenue Code to Extend Innocent Spouse Rule to Community Property Situations (request of Joint Committee on Taxation).	GGD-77-56	. . . .	7-	12-77
Need to Amend the Social Security Act to Make the Crediting of Self-Employment Income Conditional Upon Payment of the Self-Employment Income Tax. Departments of Treasury and Health, Education, and Welfare, and Internal Revenue Service (request of Joint Committee on Taxation).	GGD-77-78	. . . .	8-	8-77
IRS' Controls Over the Use of Confidential Informants: Recent Improvements Not Adequate. Department of the Treasury, and Internal Revenue Service.	GGD-77-46	. . . .	9-	1-77
Review of Several Aspects of the Internal Revenue Service's Proposed Computerized Tax Administration System (request of Representatives John E. Moss and Charles Rose).	GGD-77-73	. . . .	. . . .	8-18-77

**GENERAL SCIENCE, SPACE,
AND TECHNOLOGY**

General Science and Basic Research

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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL SCIENCE, SPACE, AND TECHNOLOGY - Continued					
General Science and Basic Research - Continued					
Need for a Government-Wide Budget Classification Structure for Federal Research and Development Information. Office of Management and Budget; Departments of Defense, Health, Education, and Welfare, and Housing and Urban Development; National Aeronautics and Space Administration; and National Science Foundation.	PAD-77-14	. . . .	3-	3-77	
Control of the National Science Foundation Peer Review Study (request of Representative James W. Symington, Chairman, Subcommittee on Science, Research and Technology; House Committee on Science and Technology).	HRD-77-67	. . . .	3-	4-77	
National Science Foundation's Actions on Recommendations of GAO Report "Opportunities for Improved Management of the Research Applied to National Needs (RANN) Program" (request of Representative Olin E. Teague, Chairman, House Committee on Science and Technology).	HRD-77-54	. . . .	3-	15-77	
Federal Agencies' Contracting for Research and Development in the Private, Profitmaking Sector. National Science Foundation, Environmental Protection Agency, Departments of Transportation and Commerce (request of Senator Charles H. Percy, Ranking Minority Member, Senate Committee on Governmental Affairs).	PSAD-77-66	. . . .	3-	24-77	
Comments on H.R. 6249, the "Uniform Federal Research and Development Utilization Act of 1977" (request of Representative Ray Thornton, Chairman, Subcommittee on Science, Research and Technology, House Committee on Science and Technology).	PSAD-77-164	. . . .	9-	13-77	
Manned Undersea Science and Technology Needs Focus and Direction. National Oceanic and Atmospheric Administration (request of Senator Lowell P. Weicker, Jr.).	PSAD-77-130	. . . .	. . . .	7-	14-77
Manned Space Flight					
Space Shuttle Facility Program: More Definitive Cost Information Needed. National Aeronautics and Space Administration.	PSAD-77-17	5-	9-	77	
Space Transportation System: Past, Present, Future. National Aeronautics and Space Administration, Department of Defense, and Office of Management and Budget.	PSAD-77-113	5-	27-	77	
The SEASAT-A Project: Where it Stands Today. National Aeronautics and Space Administration, and National Oceanic and Atmospheric Administration.	PSAD-77-126	9-	16-	77	
Space Science, Applications, and Technology					
Improved Reporting Needed on National Aeronautics and Space Administration Projects.	PSAD-77-54	1-	27-	77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
GENERAL SCIENCE, SPACE, AND TECHNOLOGY - Continued					
Space Science, Applications, and Technology - Continued					
Status and Issues Pertaining to the Proposed Development of the Space Telescope Project. National Aeronautics and Space Administration.	PSAD-77-98	5-		4-77	
Status of the Mariner Jupiter/Saturn 1977 Project. National Aeronautics and Space Administration.	PSAD-77-103	5-		20-77	
Landsat's Role in an Earth Resources Information System. Departments of the Interior, Agriculture, Commerce, Defense and State; National Aeronautics and Space Administration; and Office of Science and Technology Policy.	PSAD-77-58	6-		10-77	
More Emphasis Needed on Data Analysis Phase of Space Science Programs. National Aeronautics and Space Administration.	PSAD-77-114	6-		27-77	
Comments on S. 3579, the "Earth Resources Information Satellite System Act of 1976" (request of Senator Frank E. Moss, Chairman, Senate Committee on Aeronautical and Space Sciences).	PSAD-77-55	.		1- 3-77	
Supporting Space Activities					
NASA's Resource Data Base and Techniques for Supporting, Planning, and Controlling Programs Need Improvement (request of Representative Don Fuqua, Chairman, Subcommittee on Space Science and Applications, House Committee on Science and Technology).	PSAD-77-78	.		5-19-77	
Globe Safety Product's Inquiry Regarding Firefighters' Breathing Apparatus Developed for NASA by Scott Aviation Company (request of Representative Charles W. Whalen, Jr.).	PSAD-77-68	.		2-22-77	
Performance of the Planning Research Corporation Under Its Contract at the Kennedy Space Center. National Aeronautics and Space Administration.	LCD-77-345	.			4- 6-77
Telecommunications and Radio Frequency Spectrum Use					
Vulnerabilities of Telecommunications Systems to Unauthorized Use. Departments of Defense and Justice, Federal Communications Commission, General Services Administration, and Office of Telecommunications Policy (request of Representative Paul N. McCloskey, Jr.).	LCD-77-102	.		3-31-77	
Potential for Cost Reduction in Providing Message Refile Services through DOD Telecommunications Centers. General Services Administration.	LCD-76-128	.			5-18-77
Management Improvements are Needed in the Planning and Utilization of the Advanced Record System. General Services Administration.	LCD-77-108	.			8- 8-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
HEALTH					
Adequacy of Facilities for Handling Human Tissue Specimens. Environmental Protection Agency.	CED	. . . .	. . . .	. . . .	9-20-77
Health Care Services					
More Civil Service Commission Supervision Needed to Control Health Insurance Costs for Federal Employees (request of Representative Richard C. White, Chairman, Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service).	HRD-76-174	. . . .	1-14-77		
Status of Implementation of Medicaid Utilization Control Requirements. Social and Rehabilitation Service, Department of Health, Education and Welfare (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	HRD-77-56	. . . .	3- 1-77		
Lack of Coordination between Medicaid and Medicare at John J. Kane Hospital. Social and Rehabilitation Service, Department of Health, Education and Welfare (request of Senator Frank Church, Chairman, Senate Special Committee on Aging).	HRD-77-44	. . . .	5- 6-77		
Investigations of Medicare and Medicaid Fraud and Abuse - Improvements Needed. Social Security Administration, Department of Health, Education and Welfare (request of Senator Herman E. Talmadge, Chairman, Subcommittee on Health, Senate Committee on Finance).	HRD-77-19	. . . .	5-23-77		
Level and Range of Services Provided by the Public Health Service Hospital System. Department of Health, Education and Welfare (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	HRD-77-111	. . . .	5-26-77		
Program to Pay Black Lung Benefits to Coal Miners and Their Survivors--Improvements Are Needed. Department of Health, Education, and Welfare, and Employment Standards Administration, Department of Labor (request of Senator Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources).	HRD-77-77	. . . .	7-11-77		
Barran River Comprehensive Care Center. Department of Health, Education and Welfare (request of Representative John E. Moss, Chairman Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	HRD-77-133	. . . .	8- 5-77		
Most Agency Programs for Employees With Alcohol-Related Problems Still Ineffective. Department of Health, Education and Welfare (request of Representative Floyd V. Hicks, Chairman, Subcommittee on Manpower and Housing, House Committee on Government Operations).	HRD-77-75	. . . .	9- 7-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
HEALTH - Continued					
Health Care Services - Continued					
Reasons for Difference in Premium Rates of Kaiser Plans of Northern and Southern California for the Federal Employees Health Benefits Program. Civil Service Commission (request of Gladys Noon Spellman, Chairwoman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service).	HRD-77-151	. . . . .		9-30-77	
Relationships Between Non-Profit Prepaid Health Plans with California Medicaid Contracts and For-Profit Entities Affiliated With Them. Department of Health, Education, and Welfare (request of Senator Sam Nunn).	HRD-77-4	. . . . .	. . . . .	11- 1-76	
Investigation of Allegations Concerning Indian Health Service. Department of Health, Education and Welfare (request of Senator James Abourezk).	HRD-77-3	. . . . .	. . . . .	11- 4-76	
The Restoration of Medicaid Eligibility to Various Classes of Persons Who Have Lost It. Department of Health, Education, and Welfare (request of Representative John Melcher).	HRD-77-88	. . . . .	. . . . .	5-20-77	
Health Maintenance Organization Grants and Loans. Department of Health Education, and Welfare (request of Senator Lloyd M. Bentsen, Jr.).	HRD-77-140	. . . . .	. . . . .	9- 2-77	
Termination from the Medicare Program by Three Nursing Homes in South Carolina. Social Security Administration, Department of Health, Education, and Welfare (request of Senator Strom Thurmond).	HRD-77-137	. . . . .	. . . . .	9- 9-77	
Questioning the Need for Neighborhood Health Center, San Francisco. Department of Health, Education and Welfare.	HRD-77-25	. . . . .	. . . . .	. . . . .	12-7-76
Review of Residential Care Facilities for Children. Social and Rehabilitation Service, Department of Health, Education and Welfare.	HRD	. . . . .	. . . . .	. . . . .	1-11-77
Survey of Practices to Control the Use of Noninstitutional Services Under Medicaid. Social and Rehabilitation Service, Department of Health, Education and Welfare.	HRD	. . . . .	. . . . .	. . . . .	3-16-77
Problems in Carrying Out Medicaid Recovery Programs from Third Parties. Social and Rehabilitation Service, Department of Health, Education and Welfare.	HRD-77-73	. . . . .	. . . . .	. . . . .	5- 2-77
Fundamental Improvements Needed for Timely Promulgation of Health Program Regulations. Department of Health, Education and Welfare.	HRD-77-58	. . . . .	. . . . .	. . . . .	5- 5-77
Survey of Health Care Delivery in Bureau of Prisons Facilities.	GGD	. . . . .	. . . . .	. . . . .	8- 5-77
State Systems to Assure Proper Care for Intermediate Care Facility Patients. Department of Health, Education and Welfare.	HRD-77-129	. . . . .	. . . . .	. . . . .	8-16-77
Health Planning and Construction					
Indian Health Service's Planned Construction of Hospital Projects in the Navajo Area. Department of Health,	HRD-77-112	. . . . .		5-31-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
HEALTH - Continued					
Health Planning and Construction - Continued					
Education and Welfare (request of Senator Robert C. Byrd, Chairman, Subcommittee on the Department of the Interior and Related Agencies, Senate Committee on Appropriations).					
Health Research and Education					
Potential Effects of National Health Insurance Proposals on Medicare Beneficiaries. Social Security Administration, Department of Health, Education, and Welfare.	HRD-76-129	2-24-77			
Fundamental Improvements Needed for Timely Promulgation of Health Program Regulations. Department of Health, Education and Welfare (request of Representative Paul G. Roger, Chairman, Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce).	HRD-77-23	. . . .	2- 4-77		
Indirect Cost Payments Forgone by Institutions Receiving Minority Biomedical Support Grants - What Can Be Done? National Institutes of Health (request of Representative Daniel J. Flood, Chairman, House Committee on Appropriations, Subcommittee on Labor and Health, Education, and Welfare, House Committee on Appropriations).	HRD-77-55	. . . .	3- 9-77		
Problems in Administration of Family Planning Programs in Region VIII. Department of Health, Education, and Welfare (request of Representative Timothy E. Wirth).	HRD-77-42	. . . .	. . . .	2-28-77	
Nursing Homes					
State Audits to Identify Medicaid Overpayments to Nursing Homes. Department of Health, Education, and Welfare (request of Senator Frank Church, Chairman, Subcommittee on Long-term Care, Senate Special Committee on Aging).	HRD-77-29	. . . .	1-24-77		
Required Contributions by Relatives of Medicaid Nursing Home Patients. Department of Health, Education, and Welfare (request of Senator Frank Church, Chairman, Senate Special Committee on Aging).	HRD-77-90	. . . .	5-26-77		
Supplemental Security Income Overpayments to Medicaid Nursing Home Residents Can Be Reduced. Department of Health, Education, and Welfare, Social Security Administration (request of Senator Birch Bayh).	HRD-77-131	. . . .	. . . .	8-23-77	
Review of Required Contributions by Relatives of Medicaid Nursing Home Patients. Department of Health, Education and Welfare.	HRD	. . . .	. . . .	. . . .	5-23-77
Cost-Related Medicaid Reimbursements to Nursing Homes in the State of Kansas. Department of Health, Education and Welfare.	HRD	. . . .	. . . .	. . . .	9- 2-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
HEALTH - Continued					
Prevention and Control of Health Problems					
Health Monitoring Needed for Laboratory Employees. Environmental Protection Agency.	CED-76-160	10-		8-76	
Returning the Mentally Disabled to the Community: Government Needs to Do More. Department of Health, Education and Welfare.	HRD-76-152A HRD-76-152	1-		7-77	
Progress and Problems in Treating Alcohol Abusers. Department of Health, Education and Welfare and National Institute on Alcohol Abuse and Alcoholism.	HRD-76-163	4-		28-77	
Delays in Setting Workplace Standards for Cancer-Causing and Other Dangerous Substances. Department of Labor.	HRD-77-71	5-		10-77	
Food and Drug Administration's Program for Regulating Imported Products Needs Improving. Department of Health, Education and Welfare.	HRD-77-72	7-		5-77	
After Years of Effort, Accident Rates Are Still Unacceptably High in Mines Covered by the Federal Metal and Nonmetallic Mines Safety Act. Department of the Interior (request of Senators Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources, and Jacob K. Javits, Ranking Minority Member).	CED-77-103	7-		26-77	
Hearing Protection: Problems in the Department of Defense.	LCD-77-308	9-		15-77	
Investigation of Certain National Institutes of Alcoholism and Alcohol Abuse Contracts. Department of Health, Education, and Welfare (request of Representative Paul G. Rogers, Chairman, Subcommittee on Health and Environment, House Committee on Interstate and Foreign Commerce).	HRD-77-9	.	.	11- 5-76	
Letter Answering Certain Questions on the Swine Flu Program. Department of Health, Education, and Welfare (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate Foreign Commerce, Oversight and Investigations).	HRD-77-52	.	.	2-18-77	
Letter Answering Questions on Swine Flu Program. Department of Health, Education, and Welfare (request of Representative Paul G. Rogers, Chairman, Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce).	HRD-77-66	.	.	3- 8-77	
Federal Efforts to Protect Consumers from Polybrominated Biphenyl Contaminated Food Products. Department of Health, Education and Welfare (request of Senator Warren G. Magnuson, Chairman, Senate Committee on Commerce, Science and Transportation; Senator Adlai E. Stevenson, Chairman, Subcommittee on Science, Technology, and Space, Senate Committee on Commerce, Science,	HRD-77-96	.	.	6- 8-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
HEALTH - Continued					
Prevention and Control of Health Problems - Continued					
and Transportation; and Senator Donald W. Riegle). The Swine Flu Program: An Unprecedented Venture in Preventive Medicine. Department of Health, Education and Welfare (request of Representative Jack Brooks, Chairman, House Committee on Government Opera- tions; Representative John Dingell, Chairman, Subcom- mittee on Energy and Environment, House Committee on Small Business; and Representative Paul G. Rogers, Chairman, Subcommittee on Health and the Environ- ment, House Committee on Interstate and Foreign Commerce).	HRD-77-115	. . . .		6-27-77	
Methadone Deaths in New York City. Departments of Justice and Health, Education and Welfare (request of Representative Charles B. Rangel).	GGD-77-25	. . . .	. . . .		3-14-77
Information on Selected Aspects of the Swine Influenza Program. Department of Health, Education, and Welfare (request of Representative Henry A. Waxman).	HRD-77-102	. . . .	. . . .		6-27-77
Legal Services Corporation Grantee Involvement in Abor- tion Litigation. Community Services Administration (request of Representative David C. Treen).	HRD-77-130	. . . .	. . . .		8- 3-77
Review of Postal Service's Program for Alcoholic Recovery to Determine Its Success in Helping Problem Drinkers.	GGD	. . . .	. . . .	. . . .	10-26-76
Exposure of Naval Regional Medical Center Personnel to Toxic Substances. Department of Labor.	HRD-77-116 through HRD-77-118	. . . .	. . . .	. . . .	7- 5-77
IMPOUNDMENT CONTROL ACT OF 1974					
GAO Comments on the President's Twenty-Second Special Message for Fiscal Year 1976. Department of Defense and Department of Health, Education, and Welfare, Office of Education.	OGC-77-1	10-	4-76		
Status of Budget Authority Involved in Three Rescissions (R76-9/9A, R76-26, and R76-43). Department of Health, Education, and Welfare, Department of Housing and Urban Development, and Community Services Ad- ministration.	OGC-77-2	10-	13-76		
Release of Funds for the Legal Services Corporation.	OGC-77-3	10-	14-76		
GAO Comments on the President's Second Message for Fiscal Year 1977. Departments of the Army, the Interior, and Transportation.	OGC-77-4	10-	15-76		
GAO Comments on the President's Third Special Message for Fiscal Year 1977. American Revolution Bicentennial Administration and Departments of the Interior; Health, Education, and Welfare; Justice; and Transpor- tation.	OGC-77-5	10-	21-76		
Release of Funds (R76-46, R76-47, R76-48, and R76-49).	OGC-77-6	11-	10-76		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
IMPOUNDMENT CONTROL ACT OF 1974 - Continued					
Departments of Agriculture and Health, Education, and Welfare.					
GAO Comments on the President's Fourth Special Message for Fiscal Year 1977. Departments of Defense, of Health, Education, and Welfare, of Transportation, and of the Treasury.	OGC-77-7			11-24-76	
Civil Litigations Concerning the Section 236 Housing Program. Department of Housing and Urban Development.	OGC-77-9			12-23-76	
GAO Comments on the President's Fifth Special Message for Fiscal Year 1977. Executive Office of the President; Departments of Defense, Labor, and Treasury; and ACTION.	OGC-77-8			12-23-76	
GAO Comments on the President's Sixth Special Message for Fiscal Year 1977. Departments of Commerce and of Health, Education, and Welfare; General Services Administration; United States Information Agency; American Revolution Bicentennial Administration, and United States Railway Association.	OGC-77-10			1-31-77	
GAO Comments on the President's Seventh Special Message for Fiscal Year 1977. Departments of Agriculture, Commerce, Defense, State, and Transportation; Energy Research and Development Administration; and Small Business Administration.	OGC-77-11			2-17-77	
Release of Funds (R77-2 and R77-3). Departments of the Army and the Interior.	OGC-77-12			3-16-77	
Unreported Deferral of Department of the Army, Corps of Engineers, Construction Funds.	OGC-77-13			3-21-77	
GAO Comments on the President's Eighth Special Message for Fiscal Year 1977. Small Business Administration and Departments of Defense and Transportation.	OGC-77-14			3-23-77	
Release of Funds (R77-6, R77-7, R77-12, R77-13, D77-50, D77-51, and D77-52). Departments of Commerce, Defense, State and Transportation; Energy Research and Development Administration; Executive Office of the President; and Small Business Administration.	OGC-77-15			3-31-77	
GAO Comments on the President's Ninth Special Message for Fiscal Year 1977. Departments of the Interior and Defense.	OGC-77-16			4-18-77	
GAO Comments on the President's Tenth Special Message for Fiscal Year 1977. Energy Research and Development Administration, and Department of Commerce.	OGC-77-17			5- 6-77	
GAO Comments on the President's Eleventh Special Message for Fiscal Year 1977. Departments of Commerce and the Treasury.	OGC-77-18			5-18-77	
Review of the Impoundment Control Act of 1974 after 2 Years. Office of Management and Budget.	OGC-77-20			6- 3-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
IMPOUNDMENT CONTROL ACT OF 1974 - Continued					
GAO Comments on the President's Twelfth Special Message for Fiscal Year 1977. Departments of the Army, the Interior and Defense, and Energy Research and Development Administration.	OGC-77-19	6-13-77			
Deferral of Appropriations for the Clinch River Breeder Reactor Project. Energy Research and Development Administration.	OGC-77-21	6-28-77			
GAO Comments on the President's Thirteenth Special Message for Fiscal Year 1977. Departments of the Treasury, State, and Transportation; Executive Office of the President; and National Transportation Safety Board.	OGC-77-22	7-22-77			
Unreported Deferral of the Intense Neutron Source Facility Project. Energy Research and Development Administration.	OGC-77-23	7-28-77			
Release of Funds (R77-14), Department of the Navy.	OGC-77-24	7-29-77			
Unreported Rescission and Deferrals of Department of Agriculture, Forest Service, Funds.	OGC-77-25	8- 2-77			
GAO Comments on the President's Fourteenth and Fifteenth Special Messages for Fiscal Year 1977. Department of Defense, Executive Office of the President, and General Services Administration.	OGC-77-26	8- 5-77			
GAO Comments on the President's Sixteenth and Seventeenth Special Messages for Fiscal Year 1977. Departments of Commerce and Defense and Energy Research and Development Administration.	OGC-77-27	8-15-77			
GAO Comments on the President's Eighteenth Special Message for Fiscal Year 1977. Department of the Treasury and Energy Research and Development Administration.	OGC-77-28	9-14-77			
INCOME SECURITY					
Federal Employee Retirement and Disability					
Civil Service Disability Retirement: Needed Improvements. Civil Service Commission.	FPCD-76-61	11-19-76			
Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits. Administrative Office of the United States Courts, Civil Service Commission, Departments of Defense and State; Federal Reserve System; Tennessee Valley Authority; and United States Tax Court.	FPCD-77-48	8- 3-77			
Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Re-evaluation. Civil Service Commission; Departments of the Interior, Treasury, and Justice; District of Columbia Government; and Postal Service (request of Representative	FPCD-76-97	. . . .		2-24-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
INCOME SECURITY - Continued					
Federal Employee Retirement and Disability - Continued					
Robert N.C. Nix, Chairman, House Committee on Post Office and Civil Service).					
Changes to the Federal Employees Group Life Insurance Program Are Needed. Civil Service Commission (request of Representative Robert N. C. Nix, Chairman, House Committee on Post Office and Civil Service).	FPCD-77-19	. . . .		5- 6-77	
Proposed Changes to the Dual Compensation Act, Which Governs the Reemployment of Retired Military Personnel in Federal Civilian Jobs (request of Representative Robert N. C. Nix, Chairman, House Committee on Post Office and Civil Service).	FPCD-77-83	. . . .		8- 2-77	
Limited Savings Achievable Through Centralized Administration of Federal Retirement Programs (request of Representatives Melvin Price, Chairman, House Committee on Armed Services; Henry S. Reuss, Chairman, House Committee on Banking, Currency and Housing; and Gladys Noon Spellman, Chairman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service).	FPCD-77-82	. . . .		8- 5-77	
Action of OMB Designed to Expand the Amount of Contracting Out of Functions Now Performed In-House by Civil Service Employees. Civil Service Commission (request of Representatives Christopher Dodd and Morris K. Udall).	PSAD-77-6 PSAD-77-7	. . . .	. . . .	11- 5-76	
General Retirement and Disability Insurance					
Construction of a Computer Facilities Building by the Social Security Administration: Justification and Alternatives. Department of Health, Education, and Welfare (request of Representative L. H. Fountain, Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations).	HRD-77-8	. . . .		11-17-76	
Legality of Detailing Social Security Administration Employees to Non-Administration Offices. Department of Health, Education, and Welfare (request of Representative Sam M. Gibbons, Chairman, Subcommittee on Oversight, House Committee on Ways and Means).	HRD-77-50	. . . .		3- 8-77	
Information on the Implementation of GAO Recommendations in Report on Rehabilitating Social Security Disability Insurance Beneficiaries (request of Representative James A. Burke, Chairman, Subcommittee on Social Security, House Committee on Ways and Means).	HRD-77-120	. . . .		7- 7-77	
Problems and Progress in Holding Timelier Hearings for Disability Claimants. Social Security Administration, Department of Health, Education, and Welfare (request of Representatives Charles A. Mosher and Ken Hechler).	HRD-76-173	. . . .	. . . .	10- 1-76	
Review of SSA Computer Operation and Future Computer Expenditures. Social Security Administration (request of Representative William L. Armstrong).	HRD-77-97	. . . .	. . . .	6- 3-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
INCOME SECURITY - Continued				
Public Assistance and Other Income Supplements				
Little Accomplished in Insuring That Proper Rents Are Charged Under the Section 236 Rental Housing Program. Department of Housing and Urban Development.	CED-76-146	10-		5-76
Children in Foster Care Institutions: Steps Government Can Take to Improve Their Care. Social and Rehabilitation Service, Department of Health, Education, and Welfare.	HRD-77-40	2-		22-77
Examination of Financial Statements of the National Credit Union Administration for the Fiscal Years Ended June 30, 1976 and 1975.	FOD-77-6	5-		23-77
Certifying Workers for Adjustment Assistance -- The First Year Under the Trade Act. Departments of Labor and Commerce, and International Trade Commission.	ID-77-28	5-		31-77
Food Stamp Receipts: Who's Watching the Money? Department of Agriculture (request of Senator Thomas F. Eagleton).	CED-77-76	6-		15-77
Legislation Needed to Improve Program for Reducing Erroneous Welfare Payments. Social and Rehabilitation Service, Department of Health, Education, and Welfare.	HRD-76-164	8-		1-77
The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished, and Supplement. Department of Agriculture.	CED-77-112 CED-77-112A	8-		31-77
Testing Various Alternative Identification Requirements for Food Stamp Recipients. Department of Agriculture (request of Senator Herman E. Talmadge, Chairman, Senate Committee on Agriculture, Nutrition, and Forestry, and Representative Thomas S. Foley, Chairman, House Committee on Agriculture).	CED-77-53 CED-77-54	. . . .	4-	1-77
Domestic Resettlement of Indochinese Refugees: Struggle for Self-Reliance. Departments of Health, Education, and Welfare, and State (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	HRD-77-35	. . . .	5-	10-77
Aid to Families with Dependent Children in Ohio. Department of Health, Education, and Welfare (request of Representative Sam M. Gibbons, Chairman, Subcommittee on Oversight, House Committee on Ways and Means).	HRD-77-107	. . . .	6-	17-77
Need to Change Income Criteria of the Supplemental Security Income Program. Social Security Administration (request of Senator Russell B. Long, Chairman, Senate Committee on Finance, and Representatives Al Ullman, and James C. Corman, Chairmen, House Committee on Ways and Means and Subcommittee on Public Assistance and Unemployment).	HRD-77-101 HRD-77-113 HRD-77-114	. . . .	6-	23-77
What GAO Can Do to Bring About Proper Handling of Welfare Program Funds. Department of Health, Education, and Welfare (request of Representative Delbert L. Latta).	HRD-76-178	. . . .	. . . .	10-27-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
INCOME SECURITY - Continued					
Public Assistance and Other					
Income Supplements - Continued					
Supplemental Security Income Payment Errors Can Be Reduced. Department of Health, Education, and Welfare, Social Security Administration (request of Senator Birch Bayh).	HRD-76-159	. . . . .	. . . . .	11-18-76	
Efforts Made to Locate and Enroll Potential Recipients of the Supplemental Security Income Program for the Aged, Blind, and Disabled. Social Security Administration, Department of Health, Education, and Welfare (request of Representative Donald M. Fraser).	HRD-76-176	. . . . .	. . . . .	12- 6-76	
Information on a Department of Agriculture Claim Against the Commonwealth of Puerto Rico (request of Senator James B. Allen).	CED-77-40	. . . . .	. . . . .	2-24-77	
Use of Farmers Home Administration Financed Rural Rental Housing for Commercial Office Space. Department of Agriculture (request of Representative Les Aspin).	CED-77-43	. . . . .	. . . . .	3-11-77	
Delays in Issuance of Food Stamp Authorization-to-Purchase Cards in Chicago, Illinois. Department of Agriculture (request of Representative Cardiss Collins).	CED-77-65	. . . . .	. . . . .	5- 9-77	
Certain Food Aspects of the School Lunch Program in New York City. Department of Agriculture (request of Representative Fred Richmond).	CED-77-89	. . . . .	. . . . .	6-15-77	
Inquiry into Claims of Excessive Welfare Payments in Wisconsin. Social and Rehabilitation Service, Department of Health, Education, and Welfare (request of Representative Robert W. Kasten, Jr.).	HRD-77-125	. . . . .	. . . . .	8- 3-77	
Review of the Availability of Child Care Funds Provided Under Public Law 94-401. Department of Health, Education, and Welfare (request of Representatives Marjorie S. Holt and Paul S. Sarbanes).	HRD-77-127	. . . . .	. . . . .	8- 9-77	
Review of Practices, Procedures, and Controls to Prevent Spoilage or Theft of Federal Commodities Donated to the Commonwealth of Puerto Rico for Food Relief Programs. Department of Agriculture (request of Senator James B. Allen).	CED-77-120	. . . . .	. . . . .	8-18-77	
Social Security Administration Procurement Procedures With Regard to a Multiple Award Contract and its Maximum Order Limitation. Social Security Administration (request of Representative J. Kenneth Robinson).	HRD-77-144	. . . . .	. . . . .	8-31-77	
Review of Problems and Related Costs Associated with Ineligibles in the AFDC Program.	HRD-77-6	. . . . .	. . . . .	. . . . .	10-21-76
Survey of Emergency Assistance Payments Authorized under Title IV-A of the Social Security Act. Department of Health, Education, and Welfare.	HRD	. . . . .	. . . . .	. . . . .	11-19-76
Ineffective Management of Welfare Cases Costing Millions. District of Columbia Government.	GGD-76-109	. . . . .	. . . . .	. . . . .	12-28-76
Major Changes are Needed in the New Leased-Housing Program. Department of Housing and Urban Development.	CED-77-19	. . . . .	. . . . .	. . . . .	1-28-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
INCOME SECURITY - Continued					
Public Assistance and Other Income Supplements - Continued					
Improper Claims for Spend-Down Amounts.	HRD-77-43	. . . . .	. . . . .	. . . . .	2- 3-77
Possible Misuse of Federal Funds Claimed for Local Welfare Costs in Pennsylvania. Department of Health, Education, and Welfare.	HRD-77-10	. . . . .	. . . . .	. . . . .	2-11-77
Internal Control System of the National Credit Union Administration.	FOD	. . . . .	. . . . .	. . . . .	2-28-77
Improved Systems for Identifying Welfare Cases That are Being Paid Erroneous Amounts. District of Columbia Government.	GGD-77-51	. . . . .	. . . . .	. . . . .	4-20-77
Outreach Efforts for Individuals Previously Denied Supplemental Security Income Benefits. Social Security Administration, Department of Health, Education, and Welfare.	HRD-77-87	. . . . .	. . . . .	. . . . .	4-22-77
Possible Food Stamp Fraud by Certain Migrant Farm Workers in Polk County, Minn. Food and Nutrition, Department of Agriculture.	CED	. . . . .	. . . . .	. . . . .	8- 1-77
INTERNATIONAL AFFAIRS					
Challenge of World Population Explosion: To Slow Growth Rates While Improving Quality of Life. Office of Management and Budget, Department of State, and Agency for International Development.	ID-76-68	11-	9-	76	
Conduct of Foreign Affairs					
Public Diplomacy in the Years Ahead: An Assessment of Proposals for Reorganization. Department of State and United States Information Agency.	ID-77-21	5-	5-	77	
Nationalizations and Expropriations of U.S. Direct Private Foreign Investment: Problems and Issues. Departments of State, Treasury, and Commerce; Council on International Economic Policy; and Overseas Private Investment Corporation.	ID-77-9	5-	20-	77	
Results of the Third Law of the Sea Conference, 1974 to 1976. Department of State and National Security Council.	ID-77-37	6-	3-	77	
An Evaluation of the U.S. Early Warning System in the Sinai. Departments of Defense and State.	ID-77-11	6	-6-	77	
Actions Recommended to Make the Foreign Gifts and Decorations Act More Effective. Department of State.	ID-77-31	6-	23-	77	
U.S. Participation in International Organizations. Department of State.	ID-77-36	6-	24-	77	
U.S. Nuclear Nonproliferation Policy: A Comparison of GAO and Executive Branch Positions. Departments of Commerce, State, Energy Research and Development Administration, and Nuclear Regulatory Commission (request of Representative Clement J. Zablocki, Chairman, House Committee on International Relations, and Senators Abraham Ribicoff, Chairman,	ID-77-7	. . . . .	1-	6-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
INTERNATIONAL AFFAIRS - Continued				
Conduct of Foreign Affairs - Continued				
Senate Committee on Governmental Affairs; John O. Pastore, Chairman, Joint Committee on Atomic Energy; and John Sparkman, Chairman, Senate Committee on Foreign Relations).				
Compensation Provided to American Claimants Through Foreign Claims Settlements. Foreign Claims Settlements Commission of the United States, and Department of Treasury (request of Representative Dante B. Fascell, Chairman, Subcommittee on International Operations, House Committee on International Relations).	ID-77-26	. . . .	4-	6-77
Alternative Methods for Funding U.S. Support of International Atomic Energy Agency Activities. Energy Research and Development Administration; Office of Management and Budget; Nuclear Regulatory Commission; Departments of Commerce, Treasury, State; Agency for International Development; and Export-Import Bank of the United States (request of Senator John Glenn, Chairman, Subcommittee on Energy, Nuclear Proliferation and Federal Services, Senate Committee on Governmental Affairs).	ID-77-20	. . . .	5-	5-77
United States Participation in the World Health Organization Still Needs Improvement. Departments of State and Health, Education, and Welfare and Agency for International Development (request of Senator Abraham Ribicoff, Chairman, Senate Committee on Governmental Affairs).	ID-77-15	. . . .	5-	16-77
Need for U.S. Objectives in the International Labor Organization. Departments of Commerce, Labor, and State (request of Senator Abraham Ribicoff, Chairman, Senate Committee on Governmental Affairs).	ID-77-12	. . . .	5-	16-77
Implementation of Economic Sanctions against Rhodesia. Departments of Commerce, Justice, State, and Treasury (request of Senator Edward M. Kennedy).	ID-77-27	. . . .	. . . .	4-20-77
Foreign Economic and Financial Assistance				
Lessons To Be Learned from the Management of Commodities Remaining from Terminated Indochina Economic Assistance Programs. Departments of Agriculture and State and Agency for International Development.	ID-76-48	10-	20-	76
Hungry Nations Need to Reduce Food Losses Caused by Storage, Spillage, and Spoilage. Departments of State, Treasury, and Agriculture and Agency for International Development.	ID-76-65	11-	1-	76
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
INTERNATIONAL AFFAIRS - Continued					
Foreign Economic and Financial Assistance - Continued					
U.S. Assistance Provided for Resettling Soviet Refugees. Departments of Justice and State.	ID-76-85	6-20-77			
Impact of Population Assistance to an African Country. Department of State, Agency for International Development.	ID-77- 3	6-23-77			
Restrictions on Using More Fertilizer for Food Crops in Developing Countries. Department of State.	ID-77-6	7- 5-77			
Impact of Population Assistance to an Asian Country. Department of State, Agency for International Development.	ID-77-10	7-12-77			
Examination of Financial Statements of the Inter-American Foundation for the 15-Month Period Ended September 30, 1976.	ID-77-43	8-12-77			
Improvements and New Legislation Needed in AID's Contracting for Consultants and Advisors. Department of State (request of Senator Daniel K. Inouye, Chairman, Subcommittee on Foreign Operations, Senate Committee on Appropriations).	ID-76-82		12-27-76	
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
INTERNATIONAL AFFAIRS - Continued					
Foreign Economic and Financial Assistance - Continued					
The Investment Insurance Program Managed by the Overseas Private Investment Corporation (request of Senator Frank Church, Chairman, Subcommittee on Multinational Corporations, Senate Committee on Foreign Relations).	ID-77-49		7-26-77	
Egypt's Capacity to Absorb and Use Economic Assistance Effectively (request of Representative Lee H. Hamilton, Chairman, Subcommittee on Europe and the Middle East, House Committee on International Relations).	ID-77-33		9-15-77	
Export-Import Bank's Financial Disclosure System for Employees and its Procurement Practices. Civil Service Commission (request of Representative John E. Moss).	ID-76-81	10- 4-76	
Foreign Information and Exchange Activities					
United States Participation in INTERPOL, the International Criminal Police Organization. Departments of Treasury, State and Federal Bureau of Investigation (request of Senator Joseph M. Montoya and Representative John E. Moss).	ID-76-77	12-27-76	
International Financial Programs					
Examination of Financial Statements of the Export-Import Bank of the United States for the Fiscal Year Ended June 30, 1976.	ID-77-23		4-15-77		
U.S. Direct Investment in South America's Andean Common Market. Departments of Commerce and State.	ID-76-88		6- 7-77		
Examination of Financial Statements of the Overseas Private Investment Corporation, Fiscal Years 1976 and 1975.	ID-77-24		9- 7-77		
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Opinion on Fiscal Year 1976 Financial Statements of Overseas Private Investment Corporation.	ID-76-89	10- 1-76
Opinion on Fiscal Year 1976 Financial Statements of the Export-Import Bank of the United States.	ID-76-91	10- 1-76
LAW ENFORCEMENT AND JUSTICE					
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
LAW ENFORCEMENT AND JUSTICE - Continued					
Federal Correctional and Rehabilitative Activities - Continued					
Grievance Mechanisms in State Correctional Institutions and Large-City Jails. Department of Justice (request of Representative Robert W. Kastenmeier, Chairman, Subcommittee on Courts, Civil Liberties and the Administration of Justice, House Committee on the Judiciary).	GGD-77-63		6-17-77	
Federal Judicial Activities					
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Federal Law Enforcement and Prosecution					
Immigration: Need to Reassess U.S. Policy. Departments of Justice, Labor, and State.	GGD-76-101		10-19-76		
War on Organized Crime Faltering: Federal Strike Forces Not Getting the Job Done. Departments of Justice, Labor, and the Treasury and Postal Service.	GGD-77-17		3-17-77		
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE					
Alternatives in Controlling Department of Defense Manpower Costs. Department of Defense.	PAD-77-8	11-12-76			
Atomic Energy Defense Activities					
Nonviolent Explosive Destruct System for the Protection of Nuclear Weapons - Status and Issues (Secret). Department of Defense.	PSAD-77-129	9-15-77
Defense Related Activities					
Greater Assurances Are Needed That Emotionally Disturbed and Handicapped Children Are Properly Cared for in Department of Defense Approved Facilities.	HRD-76-175	10-21-76			
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Financial Management of Overseas Dependents Schools. Department of Defense (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	FPCD-77-7	2-16-77		
Conferences Under Department of Defense Auspices Held in Hawaii During Fiscal Year 1976 and Transition Quarter (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	FPCD-77-50	5-26-77		
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Defense Related Activities - Continued					
The Operations and Financial Needs of the United States Soldiers' and Airmen's Home. Department of Defense (request of Representative Melvin Price, Chairman, House Committee on Armed Services and Senator John C. Stennis, Chairman, Senate Committee on Armed Services).	HRD-77-123		8- 1-77	
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Review of Selected Contractors' Cost to Comply With the Requirements of the Renegotiation Act (request of Senator William Proxmire, Chairman, Senate Committee on Banking, Housing and Urban Affairs).	PSAD-77-165		9-10-77	
Management of Cargo Handling at the Military Ocean Terminal, Bayonne, New Jersey. Department of the Army (request of Representative Dominick V. Daniels and others).	LCD-76-350		10-22-76
Navy International Logistics Control Office Relocation to Philadelphia, Pennsylvania (request of Representative Dominick V. Daniels).	LCD-77-310		12-23-76
Proposed Relocation of the Air Force Communications Service Headquarters from Missouri to Illinois. Department of Defense (request of Senators Stuart Symington and Thomas F. Eagleton).	LCD-77-312		12-29-76
Adequacy of Training Facilities at Fort Eustis, Virginia. Department of the Army (request of Representative Clarence E. Long).	FPCD-77-37		2-22-77
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Defense Related Activities - Continued					
Consolidation of Air Force Laboratories at Brooks Air Force Base. Department of Defense (request of Representative John E. Moss).	LCD-77-357	7-15-77	
The Army's Attempts to Modernize Its Food Service Program.	LCD-77-403	1-24-77
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Need for the Army to Improve Selected Aspects of Inventory Management in Korea.	LCD-77-214	5- 9-77
Army and Air Force Radiology Technician Training and Enlisted Medical Course Attrition Rates. Department of Defense.	HRD-77-89	5-17-77
Continuing Need to Establish Uniform Guidelines for Controlling and Accounting for Ground Vehicle Fuels. Department of Defense.	LCD-77-220	7-20-77
Reimbursement Rate Charged to the Army's Burn Center. Department of Defense.	HRD-77-156	9-29-77
Department of Defense - Military (except procurement & contracts)					
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Management of Department of Defense Industrial Plant Equipment Can Be Improved.	LCD-76-407	10-	5-76		
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
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If Defense and Civil Agencies Work More Closely Together, More Efficient Search/Rescue and Coastal Law Enforcement Could Follow. Departments of the Treasury, Defense, and Justice.	LCD-76-456	5-		26-77	
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
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AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
Department of Defense Should Change Pay Setting for Korean Nationals (request of Senator John L. McLellan, Chairman, Senate Committee on Appropriations).	FPCD-77-69		9-30-77	
Use of Government vs. Commercial Facilities for Storing Military Personnel Household Goods (request of Representatives Henry B. Gonzalez, Robert Krueger, and Abraham Kazen, Jr., and Senators John G. Tower and Lloyd Bentsen).	LCD-76-241 and LCD-76-245 through LCD-76-249		10- 6-76
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Repair Part Support for Commercial Equipment. Department of Defense.	LCD-76-444	11- 2-76
Improving Cash Management By Using "Checks Paid" Method To Reimburse Army Ammunition Plant Contractors. Department of Defense.	PSAD-77-52	11-24-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
Erroneous Expiration Dates Assigned to Shelf-Life Items. Department of the Navy.	LCD	. . . . .	. . . . .	. . . . .	11-24-76
Defense Inactive Item Program Could Be More Effective. Defense Supply Agency.	LCD-77-204	. . . . .	. . . . .	. . . . .	1-26-77
Millions Being Spent to Apprehend Military Deserters, Most of Whom Are Discharged as Unqualified for Retention. Departments of the Army, and the Navy, including the Marine Corps.	FPCD-77-16	. . . . .	. . . . .	. . . . .	1-31-77
Department of Defense's Management of Inadequate Military-Owned Housing.	CED-77-35	. . . . .	. . . . .	. . . . .	1-31-77
Applicability of Section 22 Rates of Foreign Military Sales. Department of Defense.	LCD	. . . . .	. . . . .	. . . . .	2- 7-77
Need for More Timely and Effective Requisition Cancellation Processing by Army and Navy Inventory Managers. Department of Defense.	LCD-77-201	. . . . .	. . . . .	. . . . .	2-17-77
Clothing Maintenance Allowance Paid to Enlisted Military Personnel. Departments of the Navy, the Army, and the Air Force.	FPCD-77-35	. . . . .	. . . . .	. . . . .	3- 7-77
Movement of Foreign Military Sales Shipments by Parcel Post. Department of Defense.	LCD	. . . . .	. . . . .	. . . . .	3-23-77
How To Improve Procedures for Deciding Between Contractor and In-House Military Base Support Services. Department of Defense.	LCD-76-347	. . . . .	. . . . .	. . . . .	3-28-77
A Need to Address Illiteracy Problems in the Military Services. Department of Defense.	FPCD-77-13	. . . . .	. . . . .	. . . . .	3-31-77
Changes in Navy Ship Overhaul Practices Could Improve Fleet Capability and Crew Effectiveness. Department of the Navy.	FPCD-77-76	. . . . .	. . . . .	. . . . .	4- 8-77
Need for Uniformity in Processing Military Disability Retirements. Department of Defense.	FPCD-77-45	. . . . .	. . . . .	. . . . .	4-18-77
Government Should Recover Cost of Processing Airline Passengers Not on Official Business. Departments of the Air Force and Defense.	LCD-76-230	. . . . .	. . . . .	. . . . .	5-11-77
Emergency Power Generators Used and Managed Inefficiently by Department of Defense.	LCD-77-406	. . . . .	. . . . .	. . . . .	5-20-77
Irregularities Associated with a Contract to Remodel a Norfolk Naval Station Mess Hall.	LCD	. . . . .	. . . . .	. . . . .	5-27-77
A Central Manager Is Needed to Coordinate the Military Diagnostic and Calibration Program. Departments of Defense and Transportation, Energy Research and Development Administration, National Aeronautics and Space Administration, and Office of Management and Budget.	LCD-77-427	. . . . .	. . . . .	. . . . .	5-31-77
Military Services Should Uniformly Adopt Improved Packaging Techniques. Department of Defense.	LCD-77-216	. . . . .	. . . . .	. . . . .	6- 8-77
Centralized Direction Needed for Calibration Program. Office of Management and Budget.	LCD-77-426	. . . . .	. . . . .	. . . . .	6-13-77
The Air Force Can Reduce Inventories by Eliminating Unneeded Stock Levels. Department of Defense.	LCD-76-425	. . . . .	. . . . .	. . . . .	6-17-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Department of Defense - Military (except procurement & contracts) - Continued					
Need to Improve Management of Shelf-Life Items at Storage Activities. Departments of the Navy and Defense.	LCD-77-211	. . . . .	. . . . .	. . . . .	6-29-77
The Military Command Structure in Europe and Its Relationship to the U.S. Readiness Posture. Department of Defense.	LCD-77-431	. . . . .	. . . . .	. . . . .	7-11-77
Improvements Needed in Defense Programs for Training Transportation Officers and Agents.	LCD-77-229	. . . . .	. . . . .	. . . . .	7-20-77
Reserve Components and National Guard Recruiting. Department of Defense.	FPCD-77-68	. . . . .	. . . . .	. . . . .	8-12-77
Management Improvements Needed in the Military Affiliate Radio System. Department of Defense.	LCD-77-119	. . . . .	. . . . .	. . . . .	8-23-77
Review of Management of Naval Sea Systems Command Data Processing Personnel. Department of the Navy.	FPCD-77-73	. . . . .	. . . . .	. . . . .	8-30-77
Offset of Social Security Benefits Under the Survivor Benefit Plan. Department of Defense.	FPCD-77-74	. . . . .	. . . . .	. . . . .	9- 1-77
Strategic and Critical Materials Stockpile Policy Review. Council on International Economic Policy, Department of Defense, Federal Preparedness Agency, General Services Administration, National Security Council, and Office of Science and Technology Policy.	EMD-77-68	. . . . .	. . . . .	. . . . .	9- 9-77
Organizational Structure and Information Systems Used to Manage the Army's Depot-Level Maintenance Programs. Department of Defense.	LCD	. . . . .	. . . . .	. . . . .	9-19-77
Department of Defense - Procurement and Contracts					
Contracting for Navy Ship Repairs and Overhaul. A Need for Change. Department of Defense.	PSAD-77-47	12-10-76			
Financial Status of Major Acquisitions, June 30, 1976.	PSAD-77-62	1-18-77			
Comparison of the Shipboard Intermediate Range Combat System With the Acquisition Plan Recommended by the Commission on Government Procurement. Department of the Navy.	PSAD-77-49	1-24-77			
Comparison of the NAVSTAR Program With the Acquisition Plan Recommended by the Commission on Government Procurement.	PSAD-77-50	1-24-77			
Comparison of the Pershing II Program With the Acquisition Plan Recommended by the Commission on Government Procurement.	PSAD-77-51	1-24-77			
Need to Prevent Department of Defense from Paying Some Costs for Aircraft Engines That Contractors Should Pay. Departments of the Navy and the Air Force.	PSAD-77-57	2-28-77			
Pricing of Noncompetitive Contracts Subject to the Truth-in-Negotiations Act. Department of Defense.	PSAD-77-91	4-11-77			
Implementation of Emergency Loan Guarantee Act. Departments of the Treasury and Defense.	PSAD-77-101	4-25-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Department of Defense - Procurement and Contracts - Continued					
Contractor Pension Plan Costs: More Control Could Save Department of Defense Millions. Cost Accounting Standards Board.	PSAD-77-100	5-19-77			
Accountability and Control of Warheads in the Custody of the Department of Defense and the Energy Research and Development Administration. Defense Nuclear Agency.	PSAD-77-115	6- 2-77			
The Labor Surplus Policy: Is it Effective in Providing Government Contracts to High Unemployment Areas and Jobs for the Disadvantaged? Departments of Labor, the Army, and the Interior and Energy Research and Development, General Services, National Aeronautics and Space, Small Business, and Veterans Administrations.	PSAD-77-133	7-15-77			
Shipbuilders' Claims - Problems and Solutions.	PSAD-77-135	8- 9-77			
Competition for Negotiated Government Procurement Can and Should Be Improved. Departments of Commerce; Health, Education, and Welfare; Housing and Urban Development; Labor; and Transportation.	PSAD-77-152	9-15-77			
Use of Appropriated Funds to Procure Transportation for Armed Forces Exchange Goods. Department of Defense (request of Senator John L. McClellan, Chairman, Senate Committee on Appropriations).	LCD-76-244	. . . .	10- 4-76		
Allegations Made by Contractors Concerning Activities of Employees of Defense Contract Administration Services. Defense Supply Agency (request of Representatives James C. Corman and Joseph P. Addabbo, Chairmen, Subcommittees on Government Procurement and International Trade and on Small Business Administration Oversight and Minority Enterprise, House Committee on Small Business).	PSAD-77-59	. . . .	1-13-77		
Examination of Possible Buy-In by Garrett AiResearch. Department of Defense (request of Representative Melvin Price, Chairman, House Committee on Armed Services, and Representative Robert Wilson).	PSAD-77-70 PSAD-77-73	. . . .	2-16-77		
Department of Defense Program to Help Minority-Run Business Get Subcontracts Not Working Well (request of Representative Joseph P. Addabbo, Subcommittee on SBA Oversight and Minority Enterprise, House Committee on Small Business).	PSAD-77-76	. . . .	2-28-77		
Increased Costs to Government Under the Department of Defense Program to Reduce Audits. Defense Contract Audit Agency (request of Senator William Proxmire, Chairman, Joint Committee on Defense Production).	PSAD-77-80	. . . .	3- 9-77		
Lockheed's Commission Payments to Obtain Foreign Sales. Departments of Defense and the Treasury (request of Senator William Proxmire, Chairman, Senate Committee on Banking, Housing and Urban Affairs).	PSAD-77-85	. . . .	3-15-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued					
Department of Defense - Procurement and Contracts - Continued					
New Lockheed Policy to Prevent Questionable Foreign Marketing Practices. Departments of Defense and the Treasury (request of Representative William S. Moorhead, Chairman, Subcommittee on Economic Stabilization; House Committee on Banking, Finance and Urban Affairs).	PSAD-77-92	. . . . .		3-16-77	
Construction of Space Shuttle Facilities at Vandenberg Air Force Base. Department of Defense (request of Representative George H. Mahon, Chairman, House Committee on Appropriations).	PSAD-77-109	. . . . .		6- 2-77	
Comparing Costs of Marking Airfields: Air Force vs. Contractor (request of Representative Mark Andrews).	LCD-76-354	. . . . .	. . . . .	10- 8-76	
Comments on Constituent's Proposal for Improving Labor Cost Estimates. Department of Defense (request of Representative Albert H. Quie).	PSAD-77-12	. . . . .	. . . . .	11-30-76	
Contractor's Investment in Work-in-Process Under Fixed-Price Government Contracts. Departments of Defense and the Air Force (request of Senator William Proxmire).	PSAD-77-48	. . . . .	. . . . .	12-21-76	
Alleged Irregularities in the Subcontract Award for Aircraft Shelter Program in the United Kingdom. Department of Air Force (request of Senators Alan Cranston and Henry M. Jackson).	PSAD-77-71 PSAD-77-2	. . . . .	. . . . .	2-10-77	
Review of Contracts Awarded to Raycomm, Inc., Freehold, N.J., by the Army Electronics Command, Fort Monmouth, N.J. (request of Senators Edward M. Kennedy and Edward W. Brooks).	PSAD-77-64	. . . . .	. . . . .	2-16-77	
Should the Navy Reverse McDonnell Douglas Corporation's Award to the F-18 Ejection Seat Contract? (request of Representative John J. McFall).	PSAD-77-99	. . . . .	. . . . .	4-11-77	
Investigations of Allegations Regarding Army Practices in Purchasing Language Laboratory Systems for Use by Foreign Countries (request of Senator Henry Bellmon).	PSAD-77-104	. . . . .	. . . . .	4-28-77	
Potential for Contracting Selected Operations at the Air Force Academy Cadet Dining Hall (request of Representative Frank E. Evans).	FPCD-77-57	. . . . .	. . . . .	6-20-77	
Procurement Practices at the Defense Fuel Supply Center. Departments of Defense and the Air Force and Small Business Administration (request of Representative Guy Tucker).	PSAD-77-146	. . . . .	. . . . .	7-25-77	
Review of Navy Contracting Procedures and Decision to Overhaul Ship Equipment Using Contractor Rather Than Naval Shipyard Employees (request of Representatives Morris K. Udall and Norman D. Dicks and Senators Henry M. Jackson and Warren G. Magnuson).	PSAD-77-149 PSAD-77-150	. . . . .	. . . . .	8-11-77	
Review of a Contract for Mobile Radio Sets for the Army. Department of Defense (request of Representative Gerry E. Studds).	PSAD-77-163	. . . . .	. . . . .	9-12-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Department of Defense - Procurement and Contracts - Continued					
Review of Constituent's Allegations Regarding Contract Payment Problem. Defense Contract Audit Agency, and Department of the Army (request of Senators John Sparkman and James B. Allen).	PSAD-77-168 PSAD-77-169	. . . . .	. . . . .	9-26-77	
Impact of Navy Report of F-18 Ejection Seat Contract (request of Representative John J. McFall).	PSAD-77-167	. . . . .	. . . . .	9-28-77	
Should Aircraft Depot Maintenance Be In-House or Contracted? Controls and Revised Criteria Needed. Departments of the Navy, the Army, and the Air Force and Office of Management and Budget.	FPCD-76-49	. . . . .	. . . . .	. . . . .	10-20-76
Opportunities for Improving Productivity at Lone Star Army Ammunition Plant. Department of the Army.	PSAD-77-1	. . . . .	. . . . .	. . . . .	10-26-76
Procurement of Maintenance for VC-131H Aircraft. Department of the Air Force.	PSAD-77-56	. . . . .	. . . . .	. . . . .	12-20-76
Reasonableness of Noncompetitive Contract Prices Proposed and Negotiated for 1976 Deliveries of 111 TF-41 Engines. Departments of the Air Force and Defense.	PSAD-77-77	. . . . .	. . . . .	. . . . .	1-31-77
Cost Accounting Practices at Hydraulic Research Division of Textron, Inc., Valencia, Calif. National Aeronautics and Space Administration and Defense Contract Audit Agency.	PSAD-77-110	. . . . .	. . . . .	. . . . .	4-15-77
Department of Defense Procedures to Determine Contractor Compliance With Cost Accounting Standards.	PSAD-77-125	. . . . .	. . . . .	. . . . .	6- 8-77
Pricing of Northrop Corporation Contract F33657-74-C-0041. Department of the Air Force.	PSAD-77-134	. . . . .	. . . . .	. . . . .	7-11-77
Examination of the Pricing of a Negotiated Fixed-Price Incentive Contract Awarded on a Noncompetitive Basis.	PSAD	. . . . .	. . . . .	. . . . .	8- 1-77
Need to Improve Reviews of Royalty Charges Included in Air Force Contracts. Patent and Trademark Office.	PSAD-77-153	. . . . .	. . . . .	. . . . .	8-16-77
The Adequacy of Settlements of Cost Accounting Standards Noncompliance Cases. Defense Contract Audit Agency.	PSAD-77-158	. . . . .	. . . . .	. . . . .	8-17-77
Military Assistance					
Observations on U.S. Forces in Korea (Secret).	ID-76-37			1-12-77	
Cost of Training Granted to Foreign Students Under the Military Assistance Program. Departments of Defense and State.	ID-76-79			5-17-77	
Two Coproduction Programs: F-5E Aircraft in Taiwan and M-16 Rifle in the Phillipines (Unclassified digest)(Confidential). Departments of Defense and State.	ID-76-84			6- 6-77	
The United States and Japan Should Seek a More Equitable Defense Cost-Sharing Arrangement. Departments of Defense and State.	ID-77- 8			6-15-77	
Observations on U.S. Military Presence and Base Negotiations in the Phillipines (Secret). Departments of Defense and State.	ID-77- 5			7- 1-77	
Disposition of Defense Articles Excess to the Terminated Vietnam, Cambodia, and Laos Military Assistance Programs (Secret). Departments of Defense and State.	ID-76-70	. . . . .	. . . . .	. . . . .	1- 7-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Military Assistance - Continued					
Defense Department's Profit '76 Study and New Profit Policy.	PSAD-77-75	. . . . .	. . . . .	. . . . .	2-17-77
Need to Collect Full and Reasonable Charges for Services Related to Foreign Military Sales. Departments of the Army and the Navy and Defense Contract Audit Agency.	LCD	. . . . .	. . . . .	. . . . .	3-17-77
Defense Logistics Agency Procedures for Handling Foreign Military Sales Need Improvement.	LCD-77-222	. . . . .	. . . . .	. . . . .	5-27-77
Suggestion That the Tariff Commodity Rates be Negotiated for Foreign Military Sales Shipments. Department of Defense.	LCD	. . . . .	. . . . .	. . . . .	7-25-77
Improvements Are Needed to Fully Recover Transportation and Other Delivery Costs Under the Foreign Military Sales Program. Department of Defense.	LCD-77-210	. . . . .	. . . . .	. . . . .	8-19-77
Military Pay					
Report to the Commander, Air Reserve Personnel Center, on the Need to Improve Control Over Travel Time When Ordering Air Force Reserve Officers to Periods of Extended Active Duty.	FOD	. . . . .	. . . . .	. . . . .	10- 1- 76
Report to the Army Finance and Accounting Center on the Need to Develop Improved Edit Routines for the Joint Uniform Military Pay System to Make Sure that Certain Overseas Allowances are Terminated upon Return to the Continental United States.	FOD	. . . . .	. . . . .	. . . . .	2-19-77
Audits of Disbursing Officers' Accounts, 27 reports.	FOD	. . . . .	. . . . .	. . . . .	various
Audits of Temporary Lodging Allowance Payments and Leave and Earning Statements in the Accounts of Air Force Disbursing Officers, four reports.	FOD	. . . . .	. . . . .	. . . . .	various
Weapon Systems					
Low Altitude Air Defense Capabilities (Secret). Department of the Army.	PSAD-77-53	1-12-77			
Status of the EF-111A Electronic Warfare Aircraft Program (Secret). Department of the Air Force.	PSAD-77-25	2- 3-77			
Questionable Need for Perimeter Acquisition Radar. (Confidential). Departments of the Army and the Air Force.	PSAD-77-19	2-10-77			
Status of the CH-53E Helicopter Program.	PSAD-77-33	2-10-77			
Status of the Continental United States Over the Horizon Backscatter Radar Program (Confidential). Department of the Air Force.	PSAD-77-39	2-10-77			
Status of the Harpoon Missile System Program (Confidential). Department of the Navy.	PSAD-77-21	2-10-77			
Status of the B-1 Aircraft Program (Unclassified digest) (Confidential). Department of the Air Force.	PSAD-77-35	2-16-77			
Status of the Remotely Piloted Aircraft Programs. Departments of the Air Force and the Army.	PSAD-77-30	2-18-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATIONAL DEFENSE - Continued					
Weapon Systems - Continued					
Status of Medium-to-High Altitude Air Defense Systems (Confidential). Department of the Army.	PSAD-77-18	2-25-77			
Status of the Patrol Combatant Missile (Hydrofoil) Ship Program (Confidential). Department of the Navy.	PSAD-77-46	2-25-77			
Status of the Utility Tactical Transport Aircraft System Program. Department of the Army.	PSAD-77-31	2-25-77			
Status of Advanced Attack Helicopter Program. Department of the Army.	PSAD-77-32	2-25-77			
Status of the Roland and Chaparral Missile Programs (Confidential). Department of the Army.	PSAD-77-38	2-28-77			
Status of the F-18 Naval Strike Fighter Program (Confidential). Department of the Navy, and the Air Force.	PSAD-77-24	3- 1-77			
Status of the NAVSTAR Global Positioning System. Department of the Air Force.	PSAD-77-23	3- 2-77			
Status of the Trident Submarine and Missile Programs. Department of the Navy.	PSAD-77-34	3- 8-77			
Status of the High Speed Antiradiation Missile (HARM) System (Secret). Department of the Navy.	PSAD-77-22	3- 8-77			
Status of the Hellfire Air-to-Surface Missile Program (Confidential). Department of the Army.	PSAD-77-27	3- 9-77			
Status of the A-10 Aircraft Program (Confidential). Department of the Air Force.	PSAD-77-37	3-10-77			
Status of the Maverick/Close Air Support Weapon Systems Program (Confidential). Department of the Air Force.	PSAD-77-28	3-10-77			
Status of the Captor Ocean Warfare Mining System (Secret). Department of the Navy.	PSAD-77-44	3-15-77			
Status of the Stinger Surface-to-Air Missile Program (Confidential). Department of Defense.	PSAD-77-20	3-15-77			
Status of the Light Airborne Multi-Purpose System Program. (Confidential). Departments of the Navy and the Army.	PSAD-77-43	3-18-77			
Status of the SSN-688 Attack Submarine Program (Confidential). Department of the Navy.	PSAD-77-45	3-18-77			
Status of the FFG-7 Class Guided Missile Frigate Shipbuilding Program (Confidential). Department of the Navy.	PSAD-77-42	3-28-77			
Status of the F-16 Aircraft Program. Department of Defense.	PSAD-77-41	4- 1-77			
Status of the Army's Copperhead and the Navy's 5-Inch and 8-Inch Guided Projectile Programs (Confidential). Department of Defense.	PSAD-77-26	4- 1-77			
Information on Fleet Air Defense (Confidential). Department of the Navy.	PSAD-77-82	4-25-77			
Confusion and Uncertainty as to the Need for and Use of the Air-Launched and TOMAHAWK Cruise Missiles (Secret). Department of the Navy.	PSAD-77-36	4-26-77			
The Effectiveness of the Attack Submarine in the Direct Support Role (Confidential). Department of the Navy.	PSAD-77-89	4-29-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members	Agency Officials
NATIONAL DEFENSE - Continued				
Weapon Systems - Continued				
Sharing the Defense Burden: The Multinational F-16 Aircraft Program. Department of Defense.	PSAD-77-40	8-15-77		
Army's M561 Cargo Truck (Gamma Goat). Department of Defense (request of Representatives George H. Mahon, Chairman, House Committee on Appropriations, and Melvin Price, Chairman, House Committee on Armed Services and Senators John L. McClellan, Chairman, Senate Committee on Appropriations, and John C. Stennis, Chairman, Senate Committee on Armed Services).	PSAD-77-8 through PSAD-77-11	11-16-76		
Review of the DOD Intercontinental Ballistic Missile Survivability Study (Confidential). Departments of the Army and the Air Force (request of Senator Thomas J. McIntyre, Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services).	PSAD-76-181	11-18-76		
Comments on the Roland Missile Program (Confidential). Department of the Army (request of Representative Melvin Price, Chairman, House Committee on Armed Services).	PSAD-77-83	. . . .	3-31-77	
Interim Report on the Status of the AIM-7F Missile Program (Secret). Department of the Navy (request of Representative Melvin Price, Chairman, House Committee on Armed Services).	PSAD-77-106	. . . .	4-22-77	
Review of the Army Analysis of Alternatives for Improving Forward Air Defense (Secret). Department of Defense (request of Senator Thomas McIntyre, Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services).	PSAD-77-102	. . . .	5-25-77	
Cost Estimates of the B-1 Aircraft Program. Department of the Air Force (request of Representatives George H. Mahon, Melvin Price, and Robert N. Giomo and Senators Edmund S. Muskie, John C. Stennis, and John L. McClellan, Chairmen, House Committees on Appropriations, Armed Services, and Budget; Senate Committees on Budget and Armed Services; and Subcommittee on Defense, Senate Appropriations Committee, respectively).	PSAD-77-116 through PSAD-77-121	. . . .	5-25-77	
The Proposed Sale of AWACS (E-3) to Iran (Secret). Department of the Air Force (request of Representative Lee H. Hamilton, Chairman, Subcommittee on Europe and the Middle East, House Committee on International Relations; Senator Hubert Humphrey, Chairman, Subcommittee on Foreign Assistance, Senate Committee on Foreign Relations; and Senators Charles McC. Mathias, Jr., Donald W. Reigle, Jr., Gaylord Nelson, John C. Culver, Thomas F. Eagleton, and William Proxmire).	PSAD-77-137 through PSAD-77-143 and PSAD-77-145	. . . .	7-14-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members	Agency Officials

NATIONAL DEFENSE - Continued

Weapon Systems - Continued

Selecting Production Site for the Army's New Main Battle Tank. Department of Defense (request of the Michigan delegation, Representative Chalres A. Vanik, and Senator J. Bennett Johnston).	PSAD-77-107	. . . .	. . . .	5-11-77	
Operational Testing of the Major Caliber Lightweight Gun (Confidential). Department of the Navy.	PSAD-77-4	. . . .	. . . .	. . . .	11- 5-76

NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

Conservation and Land Management

The Coastal Zone Management Program: An Uncertain Future. Department of Commerce.	GGD-76-107	12-10-76			
To Protect Tomorrow's Food Supply, Soil Conservation Needs Priority Attention. Department of Agriculture.	CED-77-30	2-14-77			
Public Rangelands Continue to Deteriorate. Department of the Interior.	CED-77-88	7- 5-77			
Improvements Needed in Review of Public Land Withdrawals: Land Set Aside for Special Purposes. Departments of the Interior and Agriculture and General Services Administration (request of Representative James A. Haley, Chairman, House Committee on Interior and Insular Affairs).	CED-76-159	. . . .	11-16-76		
Review of Effectiveness of Land Treatment Agreements in Watershed Areas. Department of Agriculture (request of Representative Donald H. Clausen, Ranking Minority Member, Subcommittee on Water Resources, House Committee on Public Works and Transportation).	CED-77-13	. . . .	12-27-76		
How to Improve U.S. Forest Service Reports on Forest Resources. Department of Agriculture (request of Senator Herman E. Talmadge, Chairman, Senate Committee on Agriculture and Forestry).	PAD-77-29	. . . .	2-23-77		
Adequacy of Controls for the Reclamation of Lands Mined for Noncoal Minerals. Departments of Agriculture and the Interior and Council on Environmental Quality (request of Representative Morris K. Udall, Chairman, House Committee on Interior and Insular Affairs, and Senator Henry M. Jackson, Chairman, Senate Committee on Energy and Natural Resources).	CED-77-72	. . . .	5-17-77		
Procedures Used to Review and Revoke Obsolete Public Land Withdrawals in Idaho and Nevada. Department of the Interior (request of Representative Morris K. Udall, Chairman, House Committee on Interior and Insular Affairs).	CED-77-93	. . . .	7- 7-77		
General Services Administration's Procedures for Disposing of Federal Property (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	LCD-77-352	. . . .	7-20-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Conservation and Land Management - Continued					
Review of Complaints Concerning the Soil Conservation Service's Involvement in the Patton Group Drainage Project. Department of Agriculture (request of Senator Birch Bayh and Representative Andrew Jacobs, Jr.).	CED-77-9 CED-77-10	. . . . .	. . . . .	12- 3-76	
Evaluation of a Proposal to Harvest and Rehabilitate Beetle-Infested Areas in Three Oregon National Forests. Department of Agriculture (request of Senator Robert Packwood).	CED-77-15	. . . . .	. . . . .	12-27-76	
Evaluation of Forest Service Plans for Carrying Out Activities of the Stockton, California, Regional Equipment Depot. Department of Agriculture (request of Representative John J. McFall).	CED-77-55	. . . . .	. . . . .	3-23-77	
Disposition of Navy Property Located at Sachuest Point, Rhode Island. Department of Defense and General Services Administration (request of Representative Ferdinand J. St. Germain).	LCD-77-344	. . . . .	. . . . .	5- 6-77	
Maintenance of Federally Assisted Conservation Structures and Measures in Iowa. Department of Agriculture (request of Senator Richard Clark).	CED-77-63	. . . . .	. . . . .	5-17-77	
Road Construction Costs in Montana National Forests. Department of Agriculture (request of Senator Lee Metcalf).	CED-77-83	. . . . .	. . . . .	6-10-77	
Survey of Certain Aspects of the Land and Water Conservation Fund Grant Program to the States. Bureau of Outdoor Recreation, Department of the Interior.	CED	. . . . .	. . . . .	. . . . .	8- 4-77
Energy					
Evaluation of the Status of the Fast Flux Test Facility Program. Energy Research and Development Administration.	EMD-76-13			11-15-76	
Considerations for Commercializing the Liquid Metal Fast Breeder Reactor. Energy Research and Development Administration.	EMD-77-5			11-29-76	
National Energy Policy: An Agenda for Analysis. Energy Research and Development Administration, Nuclear Regulatory Commission, Federal Power Commission, Federal Energy Administration, and Department of the Interior.	EMD-77-16			1-27-77	
Improvements Needed in the Federal Enhanced Oil and Gas Recovery Research, Development, and Demonstration Program. Energy Research and Development and Federal Energy Administration.	EMD-77-3			1-28-77	
Issues Needing Attention in Developing the Strategic Petroleum Reserve. Federal Energy Administration and Departments of the Interior, State and Defense.	EMD-77-20			2-16-77	
Reducing Nuclear Powerplant Leadtimes: Many Obstacles Remain. Nuclear Regulatory Commission.	EMD-77-15			3- 2-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Energy - Continued					
Outer Continental Shelf Sale #35 Problems in Selecting and Evaluating Land to Lease. Department of the Interior and Office of Management and Budget.	EMD-77-19	3-		7-77	
Domestic Energy Resource and Reserve Estimates - Uses, Limitations, and Needed Data. Department of the Interior, Energy Research and Development and Federal Energy Administrations, and Federal Power Commission.	EMD-77-6	3-		17-77	
Energy Policy Decisionmaking, Organization, and National Energy Goals. Department of the Interior, Energy Research and Development and Federal Energy Administrations, and Federal Power Commission.	EMD-77-31	3-		24-77	
Security at Nuclear Powerplants - At Best, Inadequate. Nuclear Regulatory Commission.	EMD-77-32	4-		7-77	
Energy: Issues Facing the 95th Congress. Energy Research and Development and Federal Energy Administrations, Federal Power and Nuclear Regulatory Commissions, and Department of the Interior.	EMD-77-34	4-		28-77	
Cleaning Up the Remains of Nuclear Facilities - A Multibillion Dollar Problem. Energy Research and Development Administration, Environmental Protection Agency, and Nuclear Regulatory Commission.	EMD-77-46	6-		16-77	
Outer Continental Shelf Sale 40 - Inadequate Data Used to Select and Evaluate Lands to Lease. Department of the Interior (request of Representative Hamilton Fish, Jr. and Senator Clifford P. Hansen).	EMD-77-51	6-		28-77	
Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues. Council on Environmental Quality, Department of the Interior, Federal Energy Administration, and Office of Management and Budget.	EMD-77-23	7-		13-77	
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The United Kingdom's Development of Its North Sea Oil and Gas Reserves. Departments of State and the Interior.	ID-77-51	9-		23-77	
Federal Agencies Can Do More to Promote Energy Conservation by Government Contractors. Departments of Commerce and Defense, Office of Federal Procurement Policy, and General Services Administration.	EMD-77-62	9-		30-77	
An Evaluation of the Federal Power Commission's Rulemaking on Utilities' Construction Work in Progress	EMD-77-7	.	.	2-76	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued				
Energy - Continued				
(request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).				
Review of FPC and FEA Actions in Assessing the Impact of Natural Gas Curtailments During the Winter of 1976-77. Federal Power Commission and Federal Energy Administration (request of Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	EMD-77-12	. . . .		1-13-77
Survey of Publications on Exploration, Development and Delivery of Alaskan Oil to Market. Department of the Interior, Interstate Commerce Commission, and Federal Energy Administration (request of Senator Henry M. Jackson, Chairman, Senate Committee on Interior and Insular Affairs).	EMD-77-11	. . . .		1-14-77
Management and Funding Aspects of Three Nonnuclear Energy Research, Development, and Demonstration Subprograms. Energy Research and Development Administration (request of Senator Frank Church, Chairman, Subcommittee on Energy Research and Water Resources, Senate Committee on Energy and Natural Resources).	EMD-77-24	. . . .		2-25-77
Ways to Strengthen Congressional Control of Energy Construction Projects Other Than Nuclear. Energy Research and Development Administration (request of Senator Henry M. Jackson, Chairman, Senate Committee on Energy and Natural Resources, and Representative Olin E. Teague, Chairman, House Committee on Science and Technology).	EMD-77-25	. . . .		2-25-77
Issues Related to the Closing of the Nuclear Fuel Services, Incorporated, Reprocessing Plant at West Valley, New York. Nuclear Regulatory Commission and Energy Research and Development Administration (request of Representative Leo J. Ryan, Chairman, Subcommittee on Conservation, Energy and Natural Resources, House Committee on Government Operations).	EMD-77-27	. . . .		3- 8-77
Evaluation of the Analysis Supporting President Ford's Veto of H.R. 25, the Surface Mining Control and Reclamation Act of 1975. Federal Energy Administration and Department of the Interior (request of Senator Henry M. Jackson, Chairman, Senate Committee on Energy and Natural Resources, and Senator Lee Metcalf, Chairman, Subcommittee on Public Lands and Resources, Senate Committee on Energy and Natural Resources).	EMD-77-37	. . . .		4-15-77
Commercial Nuclear Fuel Facilities Need Better Security. (Classified) (Unclassified Digest) (request of Representatives William L. Hungate and John D. Dingell and	EMD-77-40 EMD-77-40A	. . . .		5- 2-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued				
Energy - Continued				
Senator John O. Pastore, Chairmen, Subcommittee on Activities of Regulatory Agencies, House Committee on Small Business; Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce; and Joint Committee on Atomic Energy, respectively).				
Allegations of Poor Construction Practices on the North Anna, Va., Nuclear Powerplants. Nuclear Regulatory Commission (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	EMD-77-30	. . . .	6- 2-77	
Comments on H.R. 6831, "The National Energy Act" - Vanpooling. Federal Energy and Energy Research and Development Administrations and Department of the Interior (request of Representative Jack Brooks, Chairman, House Committee on Government Operations).	EMD-77-45	. . . .	6- 8-77	
GAO's Current Views on the Nation's Commitment to the Development of Liquid Metal Fast Breeder Reactor Technology. Energy Research and Development Administration (request of Representative Olin B. Teague, Chairman, House Committee on Science and Technology).	EMD-77-50	. . . .	6-14-77	
Survey of Accounting Practices Used by Two Companies Engaged in the Domestic Production of Oil and Natural Gas. Securities and Exchange Commission, Federal Energy Administration, and Federal Power Commission (request of Representative Harley O. Staggers, Chairman, House Committee on Interstate and Foreign Commerce, and Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	EMD-77-53	. . . .	7-11-77	
An Evaluation of the National Energy Plan. Energy Research and Development Administration, Federal Energy Administration, Federal Power Commission, Nuclear Regulatory Commission, and Department of the Interior (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	EMD-77-48	. . . .	7-25-77	
Views on the Nation's Commitment to the Development of Liquid Metal Fast Breeder Reactor Technology. Energy Research and Development Administration (request of Representative Clement J. Zablocki, Chairman, House Committee on International Relations).	EMD-77-56	. . . .	8- 2-77	
First Federal Attempt to Demonstrate a Synthetic Fossil Energy Technology - A Failure. Energy Research and Development Administration (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	EMD-77-59	. . . .	8-17-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Energy - Continued					
Trans-Alaska Oil Pipeline - Information on Construction, Technical, and Environmental Matters Through Spring 1977. Department of the Interior (request of Representative John Melcher, Chairman, Subcommittee on Public Lands, House Committee on Interior and Insular Affairs).	EMD-77-44	. . . .		8-23-77	
Federal Energy Administration's Contract with the Advertising Council, Inc., for a Public Relations Campaign on the Need to Save Energy. Departments of Agriculture, Defense, and Transportation (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	PSAD-77-151	. . . .		8-31-77	
Review of Some Aspects of the Authorization and Creation of the Solar Energy Research Institute. Energy Research and Development Administration (request of Representative Mike McCormack, Chairman, Subcommittee on Advanced Energy Technologies and Energy Conservation Research, Development and Demonstration, House Committee on Science and Technology).	EMD-77-67	. . . .		9- 9-77	
Information on the Federal Energy Administration's Coal Conversion Program (request of Senator Henry M. Jackson, Chairman, Senate Committee on Energy and Natural Resources).	EMD-77-66	. . . .		9-16-77	
Safety and Transportation Safeguards at Rocky Flats Nuclear Weapons Plant. (Classified) (Unclassified Digest). Energy Research and Development Administration (request of Representative Timothy E. Wirth).	EMD-77-9 EMD-77-9A	. . . .	. . . .		1-11-77
Tennessee Valley Authority Expenditures (request of Representative Clifford Allen).	EMD-77-14	. . . .	. . . .		2- 2-77
Adequacy of Controls Placed on Radioactive Material Containers. Nuclear Regulatory Commission (request of Representative Christopher J. Dodd).	EMD-77-35	. . . .	. . . .		5-11-77
Cost and Employment Impacts of Various Energy Technologies. Energy Research and Development Administration (request of Senator James Abourezk).	EMD-77-42	. . . .	. . . .		5-23-77
Federal Energy Administration's System for Monitoring Heating Oil Prices (request of Senators Edward Brooke, John A. Durkin, William D. Hathaway, Edward M. Kennedy, Patrick J. Leahy, Thomas J. McIntyre, Edmund S. Muskie, Claiborne Pell, Abraham Ribicoff, and Robert T. Stafford).	EMD-77-63 EMD-77-63A	. . . .	. . . .		8-25-77
Status of Physical Security Improvements to ERDA Special Nuclear Material Facilities. (Classified) (Unclassified Digest). Energy Research and Development Administration (request of Representative Timothy E. Wirth).	EMD-77-60 EMD-77-60A	. . . .	. . . .		9- 8-77

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Energy - Continued					
Fallout Monitoring From the People's Republic of China's Nuclear Test. Energy Research and Development Administration, Nuclear Regulatory Commission, Environmental Protection Agency, and National Oceanic and Atmospheric Administration.	EMD-77-1 EMD-77-2	. . . . .	. . . . .	. . . . .	10-26-76
Review of the Nuclear Regulatory Commission's Monitoring of the States' Control of Certain Radioactive Material.	EMD-77-4	. . . . .	. . . . .	. . . . .	11-11-76
Opportunities to Improve Planning for Solar Energy Research and Development. Energy Research and Development Administration.	EMD-77-8	. . . . .	. . . . .	. . . . .	11-30-76
Opportunities for Federal Power Marketing Agencies to Increase the Conservation of Oil and Natural Gas Through the Sale of Surplus Hydro-Energy. Department of the Interior.	EMD	. . . . .	. . . . .	. . . . .	12-15-76
Federal Efforts to Improve the Fuel Economy of New Automobiles. Department of Transportation and Environmental Protection Agency.	EMD-77-13	. . . . .	. . . . .	. . . . .	1-13-77
Department of the Interior Should Conduct a Cost-Benefit Analysis of a Systematic Exploration Program and a Study of Its On-Structure Exploratory Drilling Policy.	EMD-77-29	. . . . .	. . . . .	. . . . .	3- 7-77
Potential Energy Savings Through Improved Power Factor Practices. Department of the Interior.	EMD-77-18	. . . . .	. . . . .	. . . . .	3- 9-77
Financial Management of Power Projects of the Federal Columbia River Power System, three reports. Departments of the Interior and Army (Corps of Engineers).	EMD	. . . . .	. . . . .	. . . . .	3- 9-77
The Federal Wind Energy Program. Energy Research and Development Administration, National Science Foundation, National Aeronautics and Space Administration, and Department of Agriculture.	EMD-77-33	. . . . .	. . . . .	. . . . .	3-29-77
Financial Management of Power Projects of the Alaska Power Administration. Departments of the Interior and Army (Corps of Engineers).	EMD	. . . . .	. . . . .	. . . . .	5-26-77
Problems in Planning and Constructing Transmission Lines Which Interconnect Utilities. Federal Power Commission.	EMD-77-21	. . . . .	. . . . .	. . . . .	6- 9-77
Safety of Plutonium-238 Activities at Mound Laboratory, Ohio. Energy Research and Development Administration.	EMD-77-49	. . . . .	. . . . .	. . . . .	6-29-77
Net Energy Analysis: Little Progress and Many Problems. Energy Research and Development Administration.	EMD-77-57	. . . . .	. . . . .	. . . . .	8-10-77
Other Natural Resources					
The Great Lakes Commercial Fishing Industry--Past, Present, and Potential. Departments of the Interior, Agriculture, Commerce, Health, Education, and Welfare, State, and Transportation; Environmental Protection Agency; and Small Business Administration	CED-77-96	9-30-77			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Other Natural Resources - Continued					
(request of Representatives Leonor K. Sullivan and Robert L. Legett, Chairmen, House Committee on Merchant Marine and Fisheries and Subcommittee on Fisheries and Wildlife Conservation and the Environment).					
Sale of Chromite from the Defense Production Act Stockpile. Department of Defense (request of Senator Lee Metcalf, Chairman, Subcommittee on Minerals, Materials and Fuels; Senate Committee on Interior and Insular Affairs).	LCD-77-404	. . . .		12-10-76	
Israel's Purchase of Excess Industrial Diamonds from the Strategic and Critical Materials Stockpile. General Services Administration and Federal Power Commission (request of Senator Howard W. Cannon, Chairman, Subcommittee on National Stockpile and Naval Petroleum Reserves, Senate Committee on Armed Services).	LCD-77-414	. . . .		3-11-77	
Actions Needed to Improve the Safety of Coal Mine Waste Disposal Sites. Department of the Interior (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	CED-77-82	. . . .		9-21-77	
Improvements Needed in the National Oceanic and Atmospheric Administration's Management of Its Charting Operations.	CED	. . . .	. . . .	. . . .	2-22-77
Efficiencies Available Through Improved Operations of National Weather Service Offices. Department of Commerce.	CED-77-41	. . . .	. . . .	. . . .	3- 9-77
Need for Better Accountability for Cost of Offsite Radiological Monitoring Service. Energy Research and Development Administration and Environmental Protection Agency.	EMD-77-69 EMD-77-70	. . . .	. . . .	. . . .	9-27-77
Pollution Control and Abatement					
Better Data Collection and Planning is Needed to Justify Advanced Waste Treatment Construction. Environmental Protection Agency.	CED-77-12			12-21-76	
Problems and Progress in Regulating Ocean Dumping of Sewage Sludge and Industrial Wastes. Department of Transportation and Environmental Protection Agency.	CED-77-18			1-21-77	
Noise Pollution: Federal Program To Control It Has Been Slow and Ineffective. Environmental Protection Agency and Department of Transportation.	CED-77-42			3- 7-77	
Continuing Need for Improved Operation and Maintenance of Municipal Waste Treatment Plants. Environmental Protection Agency.	CED-77-46			4-11-77	
Convincing the Public to Buy the More Fuel-Efficient Cars-- An Urgent National Need. Environmental Protection Agency, and Federal Energy Administration.	CED-77-107			8-10-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued		
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued				
Pollution Control and Abatement - Continued				
Unnecessary and Harmful Levels of Domestic Sewage Chlorination Should be Stopped. Environmental Protection Agency.	CED-77-108	8-30-77		
Multibillion Dollar Construction Grant Program: Are Controls Over Federal Funds Adequate? Environmental Protection Agency.	CED-77-113	9-12-77		
Delays in Constructing Waste Treatment Facilities After Award of Construction Grants--Improvements Made. Environmental Protection Agency (request of Representative Jim Wright, Chairman, Subcommittee on Investigations and Review, House Committee on Public Works and Transportation).	CED-77-1	. . . .	11-10-76	
Pollution from Cars on the Road: Problems in Monitoring Emission Controls. Environmental Protection Agency (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	CED-77-25	. . . .	2- 4-77	
Manner in Which the National Commission on Water Quality's Final Report Was Developed (request of Representative John D. Dingell, Chairman, Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce).	CED-77-33	. . . .	3- 1-77	
Suffolk County Sewer Project, Long Island, New York: Reasons for Cost Increases and Other Matters. Environmental Protection Agency (request of Representative Ronald "Bo" Ginn, Chairman, Subcommittee on Investigations and Review, House Committee on Public Works and Transportation, and Representative Thomas J. Downey).	CED-77-44 CED-77-45	. . . .	3-22-77	
Environmental Protection Agency's Role in Protecting the Public and the Environment from Nonionizing Radiation Exposure. (request of Representative John E. Moss, Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce).	CED-77-95	. . . .	7- 6-77	
The Environmental Impact Statement - It Seldom Causes Long Project Delays But Could Be More Useful If Prepared Earlier. Council on Environmental Quality, Departments of Transportation, and the Army (Corps of Engineers), Environmental Protection Agency, and General Services Administration (request of Senator Jennings Randolph, Chairman, Senate Committee on Environment and Public Works).	CED-77-99	. . . .	8- 9-77	
The Concorde: Results of a Supersonic Aircraft's Entry into the United States. Department of Transportation and Environmental Protection Agency (request of Representative Leo J. Ryan, Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations).	CED-77-131	. . . .	9-15-77	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Pollution Control and Abatement - Continued					
Need for Coordination of State and Federal Agencies in Monitoring and Reporting on Nuclear Fallout. Environmental Protection Agency and National Oceanic and Atmospheric Administration.	CED-77-6 CED-77-7	. . . . .	. . . . .	. . . . .	10-26-76
Review of Municipal Waste Treatment Plant Construction Projects.	CED	. . . . .	. . . . .	. . . . .	10-29-76
Sewage Sludge Disposal on Agricultural Land. Environmental Protection Agency.	CED-77-78	. . . . .	. . . . .	. . . . .	5-23-77
Recreational Resources					
Information on the Acquisition of Lands for Redwood National Park. Departments of the Interior and Justice (request of Representative Leo J. Ryan, Chairman, Subcommittee on Environment, Energy and Natural Resources, House Committee on Government Operations).	CED-77-122	. . . . .	8-16-77		
Survey of Federal Responsiveness to Provide an Outdoor Recreational Experience in National Parks, Forests, Monuments, Recreational Areas, and Wildlife Areas. Department of the Interior.	CED	. . . . .	. . . . .	. . . . .	11-15-76
Greater Emphasis Needed on the Military's Fish and Wildlife and Public Outdoor Recreation Planning and Management Activities. Departments of Defense and the Interior.	CED-77-106	. . . . .	. . . . .	. . . . .	8- 3-77
Water Resources and Power					
Examination of Financial Statements of the Tennessee Valley Authority for Fiscal Year 1976.	FOD-77-1	2- 7-77			
Ground Water: An Overview. Departments of the Interior, Agriculture, and Army (Corps of Engineers) and Environmental Protection Agency.	CED-77-69	6-21-77			
Slow Progress in Developing and Implementing a National Dam Safety Program. Army Corps of Engineers.	CED-77-94	6-29-77			
Clarence Cannon Dam and Reservoir: Cost, Schedule, and Safety Problems. Army Corps of Engineers and Office of Management and Budget.	PSAD-77-131	7-18-77			
More and Better Uses Could Be Made of Billions of Gallons of Water by Improving Irrigation Delivery Systems. Departments of Agriculture and the Interior.	CED-77-117	9- 2-77			
Actions Needed to Increase the Safety of Dams Built by the Bureau of Reclamation and the Corps of Engineers. Departments of the Army and Interior (request of Representative Leo J. Ryan, Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations).	CED-77-85	. . . . .	6- 3-77		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			
		Congress	Committees	Members	Agency Officials
NATURAL RESOURCES, ENVIRONMENT, AND ENERGY - Continued					
Water Resources and Power - Continued					
Tennessee Valley Authority: Information on Certain Contracting and Personnel Management Activities (request of Representative John E. Moss).	CED-77-4	. . . .	. . . .	12-29-76	
Improving Flood Control Methods Can Increase Project Benefits at Federal Multipurpose Reservoir. Army Corps of Engineers.	CED	. . . .	. . . .	. . . .	11-11-76
Examination of Financial Statements of Federal Columbia River Power System. Department of the Interior and Army Corps of Engineers.	EMD-77-10	. . . .	. . . .	. . . .	12-23-76
Improvements Needed to Coordinate and Increase the Effectiveness of Water Research Activities. Federal Coordinating Council for Science, Engineering, and Technology.	CED	. . . .	. . . .	. . . .	1-17-77
Power Production at Federal Dams Could Be Increased by Modernizing Turbines and Generators. Departments of the Army and the Interior and Tennessee Valley Authority.	EMD-77-22	. . . .	. . . .	. . . .	3-16-77
Problems Affecting Usefulness of the National Water Assessment. Department of the Interior.	CED-77-50	. . . .	. . . .	. . . .	3-23-77
Review of Allegations Concerning a Federal Grant for Construction of a Sewer System in York County, Virginia. Environmental Protection Agency.	CED	. . . .	. . . .	. . . .	8- 5-77
REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE					
Other General Purpose Fiscal Assistance					
Assessment of New York City's Performance and Prospects Under Its 3-Year Emergency Financial Plan. Department of the Treasury.	GGD-77-40	4- 4-77			
New York City's Efforts to Improve Its Accounting Systems. Department of the Treasury.	FGMSD-77-15	4- 4-77			
Antirecession Assistance Is Helping But Distribution Formula Needs Reassessment. Department of the Treasury.	GGD-77-76	7-20-77			
Review of the Cardozo High School Band Summer Employment Program. Department of Labor, and District of Columbia Government (request of Senator Thomas F. Eagleton, Chairman, Subcommittee on Efficiency and the District of Columbia, Senate Committee on Governmental Affairs).	GGD-77-16	. . . .	2-15-77		
Report on New York City's Budget Increases (request of Representative William S. Moorhead, Subcommittee on Economic Stabilization, House Committee on Banking, Finance and Urban Affairs).	GGD-77-61	. . . .	6-13-77		
New York City's Program to Collect Outstanding Out-of-State Parking Tickets (request of Senator Strom Thurmond).	GGD-77-33	. . . .	. . . .	3- 4-77	
Review of the System for Monitoring the Fiscal Condition of New York City. Department of the Treasury.	GGD	. . . .	. . . .	. . . .	10-22-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
VETERANS BENEFITS AND SERVICES					
Hospital and Medical Care for Veterans					
Many Cardiac Catheterization Laboratories Underused in Veterans Administration Hospitals: Better Planning and Control Needed.	HRD-76-168	2-28-77			
Recruitment and Retention of Veterans Administration Health Care Workers Are Not Major Problems.	HRD-77-57	3-31-77			
Summary of Issued GAO Reports Relating to Health Care for Veterans. Veterans Administration.	HRD-77-138	8-25-77			
Potential for Reducing U.S. Financial Support and Ending VA Involvement in Medical Program for Filipino Veterans (request of Senator William Proxmire, Chairman, Subcommittee on HUD-Independent Agencies Senate Committee on Appropriations).	HRD-77-95	. . . . .	. . . . .	5-20-77	
Sizing of Bay Pines, Little Rock, and Richmond, Virginia, Hospitals (request of Senator William Proxmire, Chairman, Subcommittee on HUD - Independent Agencies Senate Committee on Appropriations).	HRD-77-104	. . . . .	. . . . .	5-20-77	
Veterans Administration Land Transfers to Medical Schools: Propriety and Impact (request of Senator William Proxmire, Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations).	HRD-77-105	. . . . .	. . . . .	6-3-77	
Automated Clinical Laboratories. Veterans Administration (request of Senator Allan Cranston, Chairman, Senate Committee on Veterans' Affairs).	HRD-77-122	. . . . .	. . . . .	7-12-77	
Examination of VA's Site Justification for Portland, Oregon, Replacement Hospital. Veterans Administration (request of Senators William Proxmire, Warren A. Magnuson, Mark O. Hatfield and Henry M. Jackson and Representatives Robert B. Duncan and Mike McCormack).	HRD-77-51 HRD-77-60 through HRD-77-64	. . . . .	. . . . .	3- 4-77	
The Veterans Administration's Automated Clinical Laboratory Reporting System. Department of Health, Education and Welfare.	HRD-77-2	. . . . .	. . . . .	. . . . .	10-12-76
Results of Survey of Current and Former Public Health Service Physicians and Dentists. Veterans Administration, and Department of Health, Education and Welfare.	HRD-77-13	. . . . .	. . . . .	. . . . .	11- 8-76
Results of Survey of Current and Former Defense Department Physicians and Dentists. Veterans Administration.	HRD-77-14	. . . . .	. . . . .	. . . . .	11- 8-76
Results of Survey of Current and Former VA Physicians and Dentists.	HRD-77-15	. . . . .	. . . . .	. . . . .	11- 8-76
Evaluation of Fire Protection at the Minneapolis Veterans Administration Hospital.	HRD	. . . . .	. . . . .	. . . . .	12- 9-76

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1977 - Continued

	Reference	Addressee and Date Issued			Agency Officials
		Congress	Committees	Members	
VETERANS BENEFITS AND SERVICES - Continued					
Hospital and Medical Care for Veterans - Continued					
Administration of Veterans Administration Educational Assistance Programs.	HRD	. . . . .	. . . . .	. . . . .
Study of Veterans Administration's Methodology of Determining Size of New Hospitals.	HRD-77-79	. . . . .	. . . . .	. . . . .	4- 4-77
Results of Physician Questionnaire Administered at Washington, D.C., Veterans Administration Hospital.	HRD	. . . . .	. . . . .	. . . . .	4-14-77
Results of Survey of Current and Former Veterans Administration Health Care Workers.	HRD-77-94	. . . . .	. . . . .	. . . . .	5- 9-77
Treatment of Ineligible Veterans in VA Hospitals.	HRD	. . . . .	. . . . .	. . . . .	5-10-77
Inappropriate Billing by the Veterans Administration for Electron Microscopy Services to Non-Veterans.	HRD-77-148	. . . . .	. . . . .	. . . . .	9-16-77
Treatment of Ineligible Veterans in VA Hospitals.	HRD-77-149	. . . . .	. . . . .	. . . . .	9-19-77
Income Security for Veterans					
Operational and Planning Improvements Needed in the Veterans Administration "Domiciliary" Program for the Needy and Disabled.	HRD-77-69	9-21-77			
Other Veterans Benefits and Services					
Veterans Administration Justification of Costs and Benefits of Proposed Computer System (request of Representatives John E. Moss and Charles Rose).	HRD-77-98	. . . . .	. . . . .	7-20-77	
Veterans, Education, Training, and Rehabilitation					
Survey of the Veterans Representative on Campus Program. Veterans Administration.	HRD	. . . . .	. . . . .	. . . . .	9-20-77

LEGISLATION ENACTED DURING FISCAL YEAR 1977 RELATING TO THE WORK OF THE GENERAL ACCOUNTING OFFICE

Audits

Higher Education Insured Loan Program

Public Law 94-482, October 12, 1976, 90 Stat. 2081, Education Amendments of 1976, amends part B of title IV of the Higher Education Act of 1965, which concerns Federal, State, and private programs of low-interest insured loans to students in institutions of higher education.

An amendment to section 432(b)(2) requires that GAO annually audit, in accordance with the principles and procedures of the Government Corporation Control Act, the accounts maintained by the Commissioner of Education concerning insurance under part B, including the settlement of insurance claims and claims for payments relating to student interest cost subsidies, related transactions, and vouchers approved by the Commissioner for such transactions. (90 Stat. 2128)

Presidential Protective Assistance

Public Law 94-524, October 17, 1976, 90 Stat. 2475, Presidential Protection Assistance Act of 1976, establishes procedures and regulations for certain protective services the U.S. Secret Service provides. Expenditures made pursuant to the act are subject to audit by the Comptroller General who has access to all expenditure records.

The results of any audit are to be reported to the Senate and House Committees on Appropriations and on the Judiciary, the House Committee on Government Operations, and the Senate Committee on Governmental Affairs. (90 Stat. 2477)

When full-time security terminates at a non-Government property, all improvements and other items must be removed unless the Secret Service Director determines it is not economically feasible to do so. Regardless of such a determination, improvements and other items shall be removed at the property owner's request. If not removed at the time of termination, the property owner shall compensate the Government for the original cost of the improvements or other items or the amount they have increased the properties' fair market value, as determined by GAO, whichever is less. (90 Stat. 2476)

Pacific Island Trust Territory and Northern Mariana Islands

Public Law 95-74, July 26, 1977, 91 Stat. 285, Department of the Interior and Related Agencies Appropriation Act, 1978, provides for GAO audits of all financial transactions of the Trust Territory and the Northern Mariana Islands government, including transactions of all agencies or instrumentalities established or used by the Trust Territory and the Northern Mariana government. The audit shall be made according to the provisions of the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. (91 Stat. 295)

Access to Records

Foreign Aid Program

Public Law 94-441, October 1, 1976, 90 Stat. 1465, Foreign Assistance and Related Programs Appropriations Act, 1977, gives GAO access to records of the Inspector General, Foreign Assistance, unless the President certifies (1) that he has forbidden the Inspector General to furnish the records and (2) the reason for doing so. (90 Stat. 1472)

National Sea Grant Program

Public Law 94-461, October 8, 1976, 90 Stat. 1961, Sea Grant Program Improvement Act of 1976, amends the National Sea Grant College and Program Act of 1966, title II of the Marine Resources and Engineering Development Act of 1966, to require the Secretary of Commerce to maintain within the National Oceanic and Atmospheric Administration a national sea grant program. The Secretary is also authorized to make grants and enter into contracts to assist any sea grant program or project, if the objectives of the national program will be implemented and the program or project will be responsive to the needs and problems of individual States or regions. The Comp-

troller General has access, for purposes of audit and evaluation, to pertinent records of grantees or contractors. (90 Stat. 1965)

Health Research Facilities Construction

Public Law 94-484, October 12, 1976, Health Professions Educational Assistance Act of 1976, amends part A of title VII of the Public Health Service Act, which provides for grants, loans, loan guarantees, or interest subsidies for constructing health research facilities. Each entity which receives a grant, loan, loan guarantee, or interest subsidy or enters into a contract with the Secretary of Health, Education, and Welfare must establish and maintain certain records and provide an annual financial audit for the disposition or use of funds received under the grant or contract. GAO is provided access to records of each entity. (90 Stat. 2249)

Agriculture Research and Education Grants

Public Law 95-113, September 29, 1977, the Food and Agricultural Act of 1977, 91 Stat. 913, is intended to provide price and income protection for farmers and assure consumers of an abundance of food and fiber at reasonable prices. It contains the National Agricultural Research, Extension, and Teaching Act of 1977 at title XIV. Subtitle C—Agricultural Research and Education Grants and Fellowships—contains an amendment to section 2 of Public Law 89-106, August 4, 1965, 79 Stat. 431, which establishes within the Department of Agriculture a research grant program to promote research in food, agriculture, and related areas.

The amendment expands the Secretary of Agriculture's authority to make grants and restates the authority of the Comptroller General to obtain access to grantees' records for audit. (91 Stat. 993)

Accountable Officers— Relief From Liability

Public Law 94-440, October 1, 1976, 90 Stat. 1439, Legislative Branch Appropriation Act, 1977, and Public Law 95-94, August 5, 1977, 91 Stat. 653, Legislative Branch Appropriation Act, 1978, contain identical provisions that the disbursing officer of the Library of Congress disburse funds appropriated for the Congressional Budget Office and that the Library of Congress provide required financial management support as agreed to by the Librarian of Congress

and the Director of the Congressional Budget Office.

All vouchers certified for payment by Library of Congress certifying officers must also be certified by a Congressional Budget Office employee who has written authority to certify payments from Congressional Budget Office appropriations. The Comptroller General is authorized to relieve the certifying officer of liability for any payment where he based his certification on official records and did not know or could not reasonably have ascertained the actual facts, or where the obligation was incurred in good faith, the payment was not specifically contrary to a statute, and the United States received value for the payment.

The Comptroller General also can relieve liability for overpayment of transportation services when the overpayment occurred because the administrative examination made before payment did not include verification of transportation rates, freight classifications, or land grant deductions. (90 Stat. 1458, 91 Stat. 678)

Unemployment Assistance

Public Law 94-444, October 1, 1976, 90 Stat. 1476, Emergency Jobs Programs Extension Act of 1976, amends the Emergency Jobs and Unemployment Assistance Act of 1974 to add a new Part B—Reimbursement for Unemployment Benefits Paid on Basis of Public Service Employment.

The new part provides that the United States pays each State an amount which bears the same ratio to the total amount of compensation paid an individual for weeks of unemployment which begin on or after January 1, 1976, as the amount of the public service wages included in the individual's base-period wages bears to the total amount of the individual's base-period wages.

The Secretary of Labor must certify to the Secretary of the Treasury the sum payable to each State. In accordance with the certification, the Secretary of the Treasury is to pay the State before audit and settlement by GAO. (90 Stat. 1481)

U.S. Soldiers' and Airmen's Home

Public Law 94-454, October 2, 1976, 90 Stat. 1518, provides for additional income for the U.S. Soldiers' and Airmen's Home by requiring the home's Board of Commissioners to collect a fee from its members and by increasing deductions from the pay of enlisted men and warrant officers.

The law also required the Comptroller General to study the home's operations to determine its short- and

long-term financial needs, appropriate functions, and operating efficiency. The study's results, together with comments and recommendations deemed appropriate, were transmitted to the Senate and House Committees on Armed Services on August 1, 1977. (90 Stat. 1518-1519)

Tax Reform Act of 1976

Public Law 94-455, October 4, 1976, 90 Stat. 1520, Tax Reform Act of 1976, amends section 6103 of the Internal Revenue Code of 1954, relating to publicity of tax returns and disclosure of information as to persons filing tax returns, to establish a procedure for inspecting and disclosing returns and return information to GAO for purposes of, and to the extent necessary in, auditing the Internal Revenue Service or the Bureau of Alcohol, Tobacco, and Firearms, which may be required by section 117 of the Budget and Accounting Procedures Act of 1950. The Joint Committee on Taxation must receive prior notification of the audit and may disapprove it by a two-thirds vote of its members. (90 Stat. 1677)

As conditions for receiving returns and return information, (1) certain enumerated safeguards are to be instituted by GAO and others to protect the confidentiality of returns and (2) reports are to be furnished describing these safeguards. Also, procedures are established for returning the information or rendering it undisclosable. (90 Stat. 1683-1684)

The Comptroller General may audit these procedures and safeguards to determine whether they meet the requirements and insure confidentiality. The Secretary of the Treasury must be notified before any such audit is conducted.

The Comptroller General is to maintain a permanent system of standardized records and accountings of returns and return information that GAO inspects and to furnish certain enumerated reports. (90 Stat. 1684)

Health Maintenance Organization Evaluation

Public Law 94-460, October 8, 1976, 90 Stat. 1945, Health Maintenance Organization Amendments of 1976, amends section 1314 of the Health Maintenance Organization Act of 1973 (Public Law 93-222, December 29, 1973, 87 Stat. 914), which requires the Comptroller General to evaluate certain health maintenance organizations' operations. The amendment

reduces the number of health maintenance organizations to be evaluated to 10 or 1/2 (whichever is greater) of the HMOs receiving Federal assistance and which have qualified under section 1310 of the 1973 act by December 31, 1976. The results of the evaluation are to be reported to the Congress by June 30, 1978. (90 Stat. 1954)

Environmental Protection Agency Indemnification

Public Law 94-469, October 11, 1976, 90 Stat. 2003, Toxic Substances Control Act, requires the Administrator of the Environmental Protection Agency to study all Federal laws he administers to determine whether and under what conditions indemnification should be accorded any person as a result of any action taken by the Administrator under any such law. The resulting report to the Congress is to estimate the probable cost of any indemnification programs recommended and examine all viable means of financing the cost.

GAO is to review the adequacy of the study and report the results to the Congress. (90 Stat. 2046)

Revenue Sharing

Public Law 94-488, October 13, 1976, 90 Stat. 2341, State and Local Fiscal Assistance Amendments of 1976, extends and amends the State and Local Fiscal Assistance Act of 1972. The law restates the requirement that the Comptroller General review the work done by the Secretary of the Treasury, the State governments, and the units of local government, as may be necessary for the Congress to evaluate compliance and operation incident to allocation and payment of funds. (90 Stat. 2355)

Crime Control Act of 1976

Public Law 94-503, October 15, 1976, 90 Stat. 2407, Crime Control Act of 1976, requires the National Institute of Law Enforcement and Criminal Justice to survey existing and future needs in the Nation's correctional facilities, and the adequacy of Federal, State, and local programs to meet such needs. The survey is to determine how anticipated sentencing reforms, such as mandatory minimum sentences, will affect such needs.

In conducting the survey, the Director of the Institute is to make maximum use of statistical and other related information of the Departments of Labor and of Health, Education, and Welfare; GAO; Federal, State, and local criminal justice agencies; and other appropriate public and private agencies. (90 Stat. 2417)

The law also adds a new section 309 to the Omnibus Crime Control and Safe Streets Act of 1968 to authorize the Attorney General to provide assistance and make grants to States whose plans to improve their antitrust enforcement capabilities have been approved. The Comptroller General is provided access to grant recipients' records for purposes of audit. (90 Stat. 2416)

Health, Education, and Welfare Inspector General

Public Law 94-505, October 15, 1976, 90 Stat. 2429, which authorizes conveyance of U.S. interests in certain lands in Salt Lake County, Utah, to Shriners' Hospitals for Crippled Children, also provides in title II for establishing an Office of Inspector General in the Department of Health, Education, and Welfare.

The law stipulates that the Inspector General give particular regard to the activities of the Comptroller General of the United States, to avoid duplication and insure effective coordination and cooperation. (90 Stat. 2431)

Information and records requested by the Inspector General that are not considered available under 5 U.S.C. 552a(b) (1), (3), or (7), the Privacy Act of 1974, are considered to be available to the Inspector General in the same manner and to the same extent as they would be available to the Comptroller General. (90 Stat. 2433)

The definition of "Federal agency," for purposes of this act, is not construed to include GAO. (90 Stat. 2434)

Federal Surplus Personal Property Donation

Public Law 94-519, October 17, 1976, 90 Stat. 2451, amends the Federal Property and Administrative Services Act of 1949 to permit donating Federal surplus personal property to State and local organizations for public purposes. Not later than 30 months after the effective date of the act, and biennially thereafter,

both the General Services Administrator and the Comptroller General are required to transmit to the Congress reports which cover the 2-year period from the effective date, contain a full independent evaluation of operations under this act, and describe

- (1) the extent to which the act's objectives have been fulfilled,
- (2) how the needs served by previous Federal personal property programs have been met,
- (3) the degree to which distributing surplus property has met the relative needs of the various public agencies and other eligible institutions, and
- (4) such recommendations as the Administrator and the Comptroller General consider necessary or desirable. (90 Stat. 2457)

Copyright Royalty Tribunal

Public Law 94-553, October 19, 1976, 90 Stat. 2541, for the general revision of the Copyright Law, title 17 of the United States Code, provides at 17 U.S.C. 806 for the Library of Congress to give administrative support to the Copyright Royalty Tribunal, created as an independent entity in the legislative branch to make determinations concerning the adjustment of copyright royalty rates. The Library of Congress is authorized to disburse funds for the Tribunal under regulations prescribed jointly by the Librarian of Congress and the Tribunal and approved by the Comptroller General. (90 Stat. 2598)

Judicial Survivor Annuity Reform

Public Law 94-554, October 19, 1976, 90 Stat. 2603, Judicial Survivors' Annuities Reform Act, reforms and updates the existing program for providing annuities to survivors of Federal justices and judges. Every judicial official who files a written notification of intention to come within the purview of 28 U.S.C. 376 is deemed to consent to a deduction equal to 4.5 percent of his or her salary.

In accordance with procedures prescribed by the Comptroller General, these deductions are deposited into the Treasury of the United States and credited to the Judicial Survivors' Annuities Fund for paying annuities, refunds, and allowances. Amounts matching these deductions are also to be deposited to the credit of the fund, in accordance with procedures prescribed by the Comptroller General. (90 Stat. 2604, 2605)

Veterans Health Care Travel Costs

Public Law 94-581, October 21, 1977, 90 Stat. 2842, Veterans Omnibus Health Care Act of 1976, provides that the Administrator of Veterans' Affairs, will, in consultation with the Administrator of General Services, the Secretary of Transportation, the Comptroller General, and representatives of veterans organizations, periodically investigate the actual cost of (including lodging and subsistence) beneficiaries' travel to or from a Veterans Administration facility or other place in connection with vocational rehabilitation, counseling, examination, treatment or care. An estimate is also required of the cost of alternative modes of travel, including public transportation and the operation of privately owned vehicles. (90 Stat. 2842)

United States Grain Standards Act of 1976

Public Law 94-582, October 21, 1976, 90 Stat. 2867, United States Grain Standards Act of 1976, was enacted to improve the grain inspection and weighing system. To provide the Congress information to use in evaluating the needs of the grain inspection and weighing system at points in the United States other than export ports, the Administrator of the Federal Grain Inspection Service, the Director of the Office of Investigations of the Department of Agriculture, and the Comptroller General are to investigate grain inspection and weighing in the interior of the United States.

The Office of Investigations and the Federal Grain Inspection Service are to submit their reports to the House Committee on Agriculture, the Senate Committee on Agriculture and Forestry, and the Comptroller General not later than 18 months after the effective date of the act.

The Comptroller General, in making his investigations and studies, is to (1) assess the present grain inspection and weighing system in the United States and (2) evaluate the reports the Director of the Office of Investigations and the Administrator of the Federal Grain Inspection Service submit. The Comptroller General is to submit a report on the study and evaluation and his recommendations for changes in the U.S. Grain Standards Act to the Agriculture Committees not later than 2 years after the effective date of the act. (90 Stat. 2874)

The law provides that a State agency may perform official inspections at ports. Before delegating this authority to the State agency, the Administrator of the

Federal Grain Inspection Service will determine if the agency is qualified.

During his investigation, the Administrator is to consult with officials and review the available files of the Department of Justice, the Office of Investigations of the Department of Agriculture, and GAO. (90 Stat. 2871)

Every official agency and every person licensed to inspect, weigh, or supervise weighing functions is to maintain samples of officially inspected grain and records required for administering and enforcing the act. The records are available to the Comptroller General to review or copy at all reasonable times. (90 Stat. 2882)

Claims and Judgments

Public Law 95-26, May 4, 1977, 91 Stat. 96, Supplemental Appropriations Act, 1977, contains an amendment to section 1302 of the Supplemental Appropriation Act, 1957, 31 U.S.C. 724a, pertaining to the authority of the Comptroller General to pay adjudicated and financially certified claims against the Federal Government. The effect of the amendment is to establish a permanent, indefinite appropriation for payment of approved claims and judgments. (91 Stat. 96-97)

San Luis Unit Task Force

Public Law 95-46, June 15, 1977, 91 Stat. 225, to authorize appropriations for continuing the construction of distribution systems and drains on the San Luis unit, Central Valley project, California, provides for the Secretary of the Interior to establish a task force to review the management, organization, and operations of the San Luis unit, to determine the extent to which they conform to the purposes and intent of the authorizing legislation. The Comptroller General is a statutory member of the task force, which is required to submit a comprehensive report to the Chairmen of the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources no later than January 1, 1978. (91 Stat. 225)

Executive Schedule Pay Comparability Adjustment

Public Law 95-66, July 11, 1977, 91 Stat. 270, provides that salaries for certain positions and individuals

(including the Comptroller General, the Deputy Comptroller General, and the General Counsel of GAO), which were increased as a result of the Federal Salary Act of 1967, shall not be increased by the first comparability pay adjustment occurring after the enactment date of the law. (91 Stat. 270)

Independent Regulatory Agency Information

Public Law 95-87, August 3, 1977, 91 Stat. 445, Surface Mining Control and Reclamation Act of 1977, title II, establishes the Office of Surface Mining Reclamation and Enforcement within the Department of the Interior to, among other things, administer the programs for controlling surface coal-mining operations required by the law. The Office is to be considered an independent Federal regulatory agency for purposes of 44 U.S.C. 3502 and 3512. (91 Stat. 450)

Section 3512 requires the Comptroller General to review the collection of information required by independent regulatory agencies, to avoid the duplication of their efforts and to minimize the burden on business enterprise and other persons. Before collecting information, independent regulatory agencies must submit to the Comptroller General plans or forms, to determine the availability of information required from other Federal sources.

Department of Energy Organization Act

Public Law 95-91, August 4, 1977, 91 Stat. 565, Department of Energy Organization Act, established a Department of Energy in the executive branch by reorganizing energy functions within the Federal Government to assure a coordinated national energy policy. Section 207 of the law states that the functions of the Comptroller General under section 12 of the Federal Energy Administration Act of 1974 (Public Law 93-275, May 7, 1974) shall apply to monitoring and evaluating all Department functions and activities under this act or any other act the Department administers. (91 Stat. 574) These functions would include: reporting to the Congress on studies of existing statutes and regulations governing the Department's programs; reviewing the policies and practices of the Department; evaluating particular projects and programs; and reviewing and evaluating procedures followed in gathering, analyzing, and interpreting energy statistics, data, and information related to managing and conserving

energy—including but not limited to data relating to energy costs, supply, demand, industry structure, and environmental impacts.

The Department of Energy Organization Act also provides for establishing an Office of Inspector General within the Department. Among other things, the Inspector General is to supervise, coordinate, and provide policy direction for auditing and investigative activities to promote economic and efficient administration or to prevent or detect fraud or abuse in Department programs and operations. Section 208(b) (5) requires the Inspector General to coordinate his actions with those of the Comptroller General, to avoid duplication. (91 Stat. 576)

Appropriations for the General Accounting Office

Public Law 94-440, October 1, 1976, 90 Stat. 1439, Legislative Branch Appropriation Act, 1977, appropriated \$150,580,000 for GAO salaries and expenses for fiscal year 1977, including special studies of governmental financial practices and procedures, not to exceed \$5,000 to be expended on certification of the Comptroller General; services of experts and consultants authorized under 5 U.S.C. 3109, at rates not to exceed the per diem equivalent to the rate for grade GS-18; hire of one passenger motor vehicle; advance payments in foreign countries; and travel benefits comparable with those granted to single Agency for International Development employees.

This appropriation and the appropriations for administrative expenses of any other department or agency which is a member of the Joint Financial Management Improvement Program (JFMIP), the National Intergovernmental Audit Forum, or the Regional Intergovernmental Audit Forums shall be available to finance its appropriate share of costs, including but not limited to the salary of the Executive Secretary and secretarial support of JFMIP and necessary travel expenses of non-Federal forum participants. Payments to either the forum or JFMIP may be credited as reimbursements to any appropriation from which costs involved are initially financed. (90 Stat. 1460 or 91 Stat. 680)

Public Law 95-26, May 4, 1977, 91 Stat. 61, Supplemental Appropriations Act, 1977, provides GAO with additional appropriations of \$6,509,500 for fiscal year 1977 to cover increased pay costs authorized by or pursuant to law. (91 Stat. 97)

Public Law 95-94, August 5, 1977, 91 Stat. 653, Legislative Branch Appropriation Act, 1978, appropriated \$167 million for GAO salaries and expenses for

APPENDIX 3

fiscal year 1978, including special studies of governmental financial practices and procedures, not to exceed \$5,000 to be expended on certification of the Comptroller General; services of experts and consultants authorized under 5 U.S.C. 3109 at rates not to

exceed the per diem equivalent for grade GS-18; hire of one passenger motor vehicle; advance payments in foreign countries; and travel benefits comparable with those granted to single employees of the Agency for International Development.

**SUMMARY OF PERSONNEL ASSIGNED
TO CONGRESSIONAL COMMITTEES
OCTOBER 1, 1976—SEPTEMBER 30, 1977**

Committee	Length of assignments		Tentative release date	Salary	Travel expenses ¹	Other expenses ²	Total cost	
	From	To						
Senate								
Governmental Affairs:								
Investigations Subcommittee:								
Brunner, Felix (FOD-SF)	6-	1-77	-	12- 1-77	\$11,018	-	\$937	\$11,955
Dana, Frank (FGMS)	9-	6-77	9-17-77	-	1,287	-	109	1,396
Harris, Herbert (HRD)	5-	4-76	5- 3-77	-	12,007	-	1,021	13,028
Tice, Maria J. (FOD-SF)	6-	1-77	-	12- 1-77	4,773	-	406	5,179
Unger, Joseph (FOD-NY)	5-	4-76	5- 3-77	-	13,999	-	1,190	15,189
Rules and Administration Committee:								
Chupka, Gary (PSAD)	11-	15-76	7-16-77	-	13,762	-	1,170	14,932
Lawson, Gary (FGMS)	12-	1-75	11-30-76	-	3,988	-	339	4,327
Special Committee on Aging:								
Markin, John (HRD)	7-	11-77	9-23-77	-	5,144	-	437	5,581
Senate Select Committee on Ethics:								
Friedman, Antoinette (OGC)	6-	20-77	-	10-14-77	9,390	-	798	10,188
House								
House Administration Committee:								
Brace, William (FOD-DLS)	3-	20-77	3-31-77	-	809	\$824	69	1,702
Curtis, William D. (FOD-DLS)	3-	20-77	3-31-77	-	829	794	70	1,693
Czarsty, Judith (FOD-DLS)	3-	20-77	4- 1-77	-	947	938	80	1,965
Egger, Mark H. (FOD-DLS)	3-	20-77	5- 6-77	-	1,506	837	128	2,471
Gibson, T. Mitchell (FOD-DLS)	3-	20-77	4- 8-77	-	1,249	1,210	106	2,565
Hanna, Edward (GGD)	7-	6-76	10- 1-76	-	124	-	11	135
Hoskins, Jerilyn (FOD-DLS)	3-	20-77	4- 1-77	-	1,092	880	93	2,065
McKee, Catherine (FOD-DLS)	3-	20-77	4- 1-77	-	939	859	80	1,878
Ottenheimer, Ed (HRD)	7-	12-76	10- 1-76	-	154	-	5	59
Peters, Shirley W. (FOD-DLS)	3-	20-77	5- 6-77	-	1,990	2,182	169	4,341
Salas, Miguel (FOD-DLS)	3-	20-77	5- 5-77	-	1,417	1,749	120	3,286
Viola, James (FOD-DLS)	3-	16-77	5- 5-77	-	3,656	2,493	311	6,460
Witte, Dave (WRO)	7-	6-76	10- 1-76	-	152	-	4	56
House Appropriations Committee:								
Housing and Urban Development Subcommittee:								
Virbick, Steven C. (OCG)	1-	3-77	7-25-77	-	17,133	-	146	17,279
Subcommittee on Military Construction:								
Rosewell, Wayne A. (WRO)	3-	14-77	-	3- 3-78	11,674	-	992	12,666
Surveys and Investigations Staff:								
Bonnell, James (ID)	10-	4-76	9-30-77	-	26,969	2,775	2,292	32,036
Bushlow, Elliott H. (HRD)	11-	24-75	11-19-76	-	4,590	2,751	390	7,731
Bushman, Barbara (CEDD)	10-	4-76	-	10- 3-77	21,380	1,233	1,817	24,430
Cory, Gerald A. (FPCD)	10-	4-76	5- 9-77	-	16,979	-	1,443	18,422
Degnan, Frank (CEDD)	1-	5-76	1- 4-77	-	8,216	-	698	8,914
Desmond, Timothy D. (PSAD)	8-	23-76	6- 3-77	-	21,929	-	1,854	23,783
Gentry, John D. (FPCD)	7-	18-77	-	7-17-78	5,315	-	452	5,767

See footnotes at end of table.

APPENDIX 4

Committee	Length of assignments		Tentative release date	Salary	Travel expenses ¹	Other expenses ²	Total cost
	From	To					
House—Continued							
Surveys and Investigations Staff—Continued							
Heil, Jeffrey E. (OPDS)	10-20-75	10-19-76	-	\$1,223	\$673	\$104	\$2,000
Hill, William A., Jr. (OPDS)	11-24-75	11-19-76	-	4,065	-	346	4,411
Hopp, Thomas W. (LCD)	9-27-76	5- 7-77	-	14,556	-	1,237	15,793
Keller, Lawrence R. (OIR)	7-18-77	-	7-17-78	5,144	-	437	5,581
Kreitzman, Horace (EMD)	10- 5-76	9-30-77	-	25,982	5,716	2,208	33,906
Lynch, William C. (HRD)	7-19-76	6-13-77	-	19,808	4,672	1,684	26,164
Morgan, Ronald G. (CEDD)	11- 1-76	-	10-31-77	29,165	-	2,479	31,644
Nosik, Doug (HRD)	6-20-77	-	6-19-78	7,248	1,523	616	9,387
Potochney, John P. (HRD)	10- 6-75	10- 4-76	-	117	-	10	127
Quarry, Thomas A. (PSAD)	10-14-75	10-13-76	-	890	-	76	966
Rahl, Michael (LCD)	9-27-77	-	9-26-78	325	-	28	353
Rhodes, James R. (EMD)	6- 7-76	6- 3-77	-	22,171	2,265	1,885	26,321
Rinker, Lewis D. (PSAD)	11-22-76	-	11-21-77	28,826	6,162	2,450	37,438
Siemering, Edward A. (GGD)	7- 6-77	-	7- 5-78	7,888	1,290	670	9,848
Taylor, Tim R. (CEDD)	1- 5-76	1- 4-77	-	6,327	1,288	1,062	8,677
Tobin, Harry (PSAD)	7-11-77	-	7-10-78	7,170	-	609	7,779
Toth, Frank (GGD)	11-24-75	11-23-76	-	5,018	-	427	5,445
Vignali, Joseph A. (HRD)	10-14-75	10-12-76	-	1,329	-	113	1,442
	3-21-77	-	3-20-78	21,836	727	1,856	24,419
Waters, Jim (WRO)	10-18-76	-	10-17-77	34,778	2,805	2,956	40,539
Williams, Harlow S. (LCD)	9- 7-76	5-13-77	-	20,679	3,564	1,758	26,001
Yasher, Michael R. (PSAD)	7-18-77	-	7-17-78	7,411	558	630	8,599
Banking, Finance, and Urban Affairs Committee:							
Oversight and Regulations Subcommittee:							
Trescavage, Bernie (WRO)	6-28-76	10- 2-76	-	94	-	8	102
	3-28-77	7- 1-77	-	7,734	-	657	8,391
House Commission on Administrative Review:							
Hanna, Ed (GGD)	10- 4-76	8-31-77	-	31,506	-	2,678	34,184
Ottenheimer, Ed (OPDS)	10- 4-76	8-31-77	-	15,553	-	1,322	16,875
Witte, Dave T. (WRO)	10- 4-76	7-31-77	-	11,689	-	994	12,683
Education and Labor Committee:							
Subcommittee on Equal Opportunities:							
Kelley, Ed (WRO)	11- 1-76	12-31-76	-	13,049	1,544	259	4,852
Governmental Affairs Committee:							
Subcommittee on Commerce, Consumer, and Monetary Affairs:							
Donahue, Patrick (PSAD)	3-14-77	-	3-13-78	16,620	-	1,413	18,033
Fuerstenberg, Judy A. (HRD)	2-28-77	-	2-27-78	15,660	-	1,331	16,991
Grissinger, Charles R. (CEDD)	12-22-75	12-21-76	-	7,001	-	595	7,596
Hoppler, Henry L. (PSAD)	12-22-75	12-21-76	-	5,927	-	504	6,431
Kaufman, Jack (GGD)	12-22-75	12-21-76	-	6,678	-	568	7,246
Metz, Charles (ID)	12-22-75	12-21-76	-	6,678	-	568	7,246
Price, William H., Jr. (ID)	1-31-77	-	1-30-78	13,762	-	1,170	14,932
Ryder, A. Fred (LCD)	12-22-75	12-21-76	-	4,989	-	424	5,413
Scott, Dean T. (WRO)	12-22-75	12-21-76	-	5,572	-	474	6,046
Subcommittee on Intergovernmental Relations and Human Resources:							
Tuchman, Edward (HRD)	4-26-76	4-27-77	-	10,437	-	887	11,324
Subcommittee on Government Information and Individual Rights:							
Gellman, Robert (OGC)	6-27-77	-	6-26-78	6,765	-	575	7,340

See footnotes at end of table.

Committee	Length of assignments		Tentative release date	Salary	Travel expenses ¹	Other expenses ²	Total cost
	From	To					
House—Continued							
Interstate and Foreign Commerce Committee:							
Subcommittee on Investigations:							
Cormier, Ronald (CEDD)	6- 1-76	5-31-77	-	\$14,036	-	\$1,193	\$15,229
Mikami, Robert M. (FOD-NY)	12-28-76	12-30-76	-	239	-	20	259
Osuna, Edward (FOD-NY)	12-28-76	12-30-76	-	194	-	16	210
Seigel, Larry (FOD-NY)	12-28-76	12-30-76	-	282	-	24	306
Subcommittee on Energy and Power:							
Caton, Mark (OPDS)	10-20-75	10-15-76	-	703	-	60	763
DeRoy, Charles R. (HRD)	10-20-75	10-11-76	-	447	-	38	485
Lavigene, Donna (EMD)	10-12-76	-	10-11-77	17,881	-	1,520	19,401
Pagano, Judy K. (OPDS)	10-17-76	-	10-16-77	14,111	-	1,199	15,310
Judiciary Committee:							
Fujimoto, Clarence (GGD)	11- 1-76	4-24-77	-	7,025	-	597	7,622
Tipton, John (GGD)	11- 1-76	4-24-77	-	15,687	-	1,333	17,020
Post Office and Civil Service Committee:							
Hansen, John C. (FPCD)	7- 6-77	-	10- 1-77	4,954	-	421	5,375
Litzelman, Joseph P. (GGD)	2- 9-77	3-15-77	-	2,946	-	250	3,196
Polach, Michael F. (FPCD)	7-11-77	8-13-77	-	1,951	-	166	2,117
Science and Technology Committee:							
Andrews, Ronald W. (EMD)	3-21-77	6- 6-77	-	4,843	-	412	5,255
Francis, Paul (OPDS)	8- 3-76	7-29-77	-	11,719	-	996	12,715
Kezar, Charles (PSAD)	8- 2-76	4-29-77	-	18,302	-	1,556	19,858
Committee on Standards of official Conduct:							
Borseth, Ann (OPDS)	6-13-77	-	10-17-77	4,480	-	380	4,860
Cohens, A. Dolores (OPDS)	9-15-77	-	9-14-78	603	-	51	654
Dobrow, Donald (GGD)	6-13-77	7-15-77	-	1,028	-	87	1,115
O'Donnell, James (OPDS)	5-31-77	8- 3-77	-	2,559	-	218	2,777
Perez, Tommie (OPDS)	5-31-77	9- 9-77	-	3,280	-	279	3,559
Stanley, Charles (OPDS)	5-31-77	6- 3-77	-	217	-	18	235
Welsh, Martha (OPDS)	5-31-77	-	5-30-78	4,827	-	410	5,237
Select Committee on Aging:							
Mullen, Louise (WRO)	5-16-77	-	11-30-77	8,977	-	763	9,740
Zipp, Alan (HRD)	7-12-76	10-29-76	-	1,627	-	138	1,765
Select Committee on Narcotics and Drug Abuse							
Control:							
Hill, William (PAD)	7-18-77	-	10-19-77	6,481	-	551	7,032
Select Committee on Professional Sports:							
Herman, Benjamin, Jr. (OPDS)	6-28-76	4-10-77	-	7,362	-	626	7,988
Thompson, Homer (PSAD)	6-28-76	4-10-77	-	13,109	-	1,114	14,223
Ways and Means Committee:							
Oversight Subcommittee:							
Markin, John (HRD)	5-17-76	5-13-77	-	14,864	-	1,263	16,127
Megyeri, Leslie (PSAD)	3-25-77	-	3-24-78	16,405	-	1,394	17,799
Melberger, Alan (HRD)	5-10-76	5- 6-77	-	12,654	-	1,076	13,730
Joint							
Joint Committee on Atomic Energy:							
Fowler, Clifton W. (OCG)	1- 3-77	4- 6-77	-	¹ 6,605	-	561	7,166
				\$886,285	\$52,312	\$74,535	\$1,013,132
				¹ \$137,564			

¹ This cost was/will be reimbursed by the committee or subcommittee concerned.

² These amounts, which are 8.5% of the salary costs, include the Government's estimated share for personnel benefits payable to the Civil Service Commission or (1) Life Insurance Fund, (2) Retirement Fund, and (3) Health Benefits Fund.

APPENDIX 4

*On assignment as of
September 30, 1977*

Division:	
Community and Economic Development	2
Energy and Minerals	1
Federal Personnel and Compensation	2
General Government	1
Human Resources	3
International	1
Logistics and Communications	1
Procurement and Systems Acquisition	5
Program Analysis	1
Office:	
General Counsel	2
Internal Review	1
Personnel and Development Services	4
Regional office:	
San Francisco	2
Washington	3

29

*Total assigned during
fiscal year 1977*

Division:	
Community and Economic Development	6
Energy and Minerals	4
Federal Personnel and Compensation	4
Financial and General Management Studies	2
General Government	9
Human Resources	15
International	3
Logistics and Communications	4
Procurement and Systems Acquisitions	11
Program Analysis	1
Office:	
Comptroller General	2
General Counsel	2
Internal Review	1
Personnel and Development Services	13
Regional office:	
Dallas	10
New York	4
San Francisco	2
Washington	9

102

CLAIMS STATISTICS

Claims Division Settlements and Collections During Fiscal Years 1968-77

Fiscal year	Claims against the United States		Claims by the United States	
	Number of claims	Amount allowed	Number of claims	Amount collected ¹
1968	13, 812	\$60, 988, 960	16, 282	\$2, 938, 681
1969	18, 690	70, 140, 076	9, 750	2, 819, 450
1970	14, 943	55, 909, 237	13, 201	2, 626, 961
1971	8, 686	117, 782, 204	20, 394	2, 878, 940
1972	7, 819	69, 977, 376	22, 211	4, 612, 775
1973	6, 563	130, 635, 566	25, 615	4, 068, 344
1974	8, 157	142, 396, 002	26, 580	4, 852, 914
1975	9, 980	194, 909, 301	28, 926	5, 305, 606
1976 (15 months)	11, 314	155, 113, 538	66, 646	7, 519, 366
1977	6, 913	165, 578, 017	46, 698	8, 037, 188
Total	106, 877	\$1, 163, 430, 277	276, 303	\$45, 660, 225

¹ Includes amount collected by the Department of Justice on claims reported to that agency by GAO for possible suit.

FINANCIAL STATEMENTS OF THE U.S. GENERAL ACCOUNTING OFFICE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1977

Schedule 1 Statement of Assets, Liabilities, and Investment September 30, 1977

ASSETS

Cash on hand:			
Undeposited receipts (repayment to appropriation)	\$3, 500		
Undeposited receipts (funds held for others)	212, 000		
Checks being held for cause ¹	139, 200		
Imprest Fund	24, 100	\$378, 800	
<hr/>			
Funds in U.S. Treasury:			
Appropriated funds	13, 394, 400		
Deposit funds ²	826, 900	14, 221, 300	
<hr/>			
Employees' travel advances		977, 800	
Accounts receivable		534, 600	
Supplies		285, 000	
Furniture, fixtures, and equipment	2, 914, 500		
Less: Accumulated depreciation	1, 100, 500	1, 814, 000	
<hr/>			
Leaseholds		599, 500	
Library books (estimated)		479, 600	
<hr/>			
Total assets		\$19, 290, 600	

LIABILITIES AND INVESTMENT

Accounts payable		\$532, 700	
Accrued liabilities		10, 139, 000	
Funds held for others		1, 178, 100	
Liability for accrued annual leave of employees	\$9, 851, 100		
Less: Amount to be financed from future appropriations	9, 851, 100		
<hr/>			
Total liabilities		11, 849, 800	
Investment of U.S. Government (schedule 2)		7, 440, 800	
Total liabilities and investment		\$19, 290, 600	

¹ Checks held for cause are checks received in compromise offers not yet accepted.

² Deposit funds arise principally from employees' taxes, other payroll deductions, wages of employees of contractors, and estates of Americans who die abroad.

Schedule 2

U.S. General Accounting Office
Summary of Changes in Investment of U.S. Government
for the Fiscal Year Ended September 30, 1977

Balance, October 1, 1976		\$4,909,400
Add:		
Appropriation for salaries and expenses	\$157,089,500	
Prior year funds restored	84,000	
Adjustments to September 30, 1976, inventory of furniture, fixtures, and equipment	434,800	157,608,300
Total		162,517,700
Deduct:		
Operating expenses (schedule 3)	155,087,900	
Less: Amount of annual leave earned by employees and included in operating expenses, which will be financed by future appropriations	-816,500	
Loss on trade or disposal of fixed assets	50,400	
Unobligated balance of appropriation lapsed	755,100	155,076,900
Balance, September 30, 1977		7,440,800
Composition of balances:		
Investment in:	<i>Sept. 30, 1976</i>	<i>Sept. 30, 1977</i>
Leaseholds		599,500
Inventories of supplies	209,000	285,000
Furniture, fixtures, and equipment	1,377,100	1,814,000
Library books	314,100	479,600
Funds reserved for payment of unfilled orders	3,009,200	4,262,700
Total	4,909,400	7,440,800

Schedule 3

U.S. General Accounting Office
Summary of Operating Expenses for the Fiscal Year
Ended September 30, 1977

	<i>Total</i>	<i>Salaries</i>	<i>Employee Benefits</i>	<i>Travel</i>	<i>Other Expenses</i>
Office of the Comptroller General	\$453, 800	\$360, 500	\$29, 900	\$15, 200	\$48, 200
Information Officer	181, 000	151, 200	14, 100	400	15, 300
Office of Congressional Relations	369, 900	293, 000	28, 900	1, 800	46, 200
Director of Management Services	321, 900	247, 300	23, 100	18, 800	32, 700
Organization and Management Planning	978, 200	738, 400	65, 500	59, 500	114, 800
Office of Controller	2, 322, 200	1, 486, 700	447, 700	155, 300	232, 500
Office of Administrative Services	2, 986, 200	2, 258, 700	211, 200	170, 900	345, 400
Office of Publishing Services	877, 500	710, 900	66, 400	4, 500	95, 700
Office of Personnel Management	1, 030, 600	759, 700	74, 600	84, 200	112, 100
Office of Librarian	469, 000	379, 400	36, 700	3, 700	49, 200
Office of Personnel Development and Services	4, 850, 100	3, 641, 900	355, 500	156, 400	696, 300
Joint Financial Management Improvement Program	31, 200	6, 600	7, 900	16, 000	700
Office of General Counsel	6, 450, 000	5, 195, 700	512, 600	30, 700	711, 000
Office of Assistant Comptroller General for Policy and Program Planning	106, 200	80, 200	7, 200	3, 400	15, 400
Office of Policy	394, 300	314, 500	30, 500	3, 000	46, 300
Office of Program Planning	294, 300	232, 200	24, 000	5, 400	32, 700
Office of Internal Review	370, 900	288, 000	29, 500	6, 900	46, 500
Banking Task Force	179, 800	146, 800	13, 700	4, 000	15, 300
Financial and General Management Studies Division	7, 538, 000	5, 915, 300	582, 900	208, 500	831, 300
Logistics and Communications Division	5, 912, 600	4, 591, 400	466, 200	209, 000	646, 000
Procurement and Systems Acquisition Division	5, 877, 300	4, 559, 800	450, 000	244, 300	623, 200
Federal Personnel and Compensation Division	2, 871, 900	2, 251, 700	219, 900	82, 200	318, 100
General Government Division	5, 672, 200	4, 436, 200	446, 400	175, 700	613, 900
Community and Economic Development Division	8, 299, 400	6, 427, 600	642, 100	343, 300	886, 400
Human Resources Division	8, 832, 900	6, 838, 400	684, 500	367, 300	942, 700
Energy and Minerals Division	5, 038, 700	3, 803, 500	363, 700	337, 300	534, 200
Program Analysis Division	3, 602, 300	2, 865, 500	265, 800	71, 900	399, 100
Office of Special Programs	138, 500	111, 100	10, 500	800	16, 100
International Division:					
Washington, D.C.	5, 213, 900	3, 987, 600	392, 100	286, 300	547, 900
European Branch	1, 952, 800	1, 196, 600	194, 600	393, 800	167, 800
Far East Branch	2, 055, 900	1, 118, 800	342, 000	442, 800	152, 300
Latin American Branch	532, 600	276, 400	144, 300	81, 400	30, 500
Field Operations Division	63, 051, 200	45, 277, 600	4, 626, 600	6, 901, 100	6, 245, 900
Transportation and Claims Division	2, 854, 700	2, 295, 000	212, 300	7, 700	339, 700
Total distributed expense	152, 112, 000	113, 244, 200	12, 022, 900	10, 893, 500	15, 951, 400
Undistributed other expense	2, 975, 900				
Total	155, 087, 900				

Schedule 3 (Continued)

Reconciliation of accrued expenditures for year with total expenses	<i>Total</i>
Accrued expenditures	\$155,781,800
Add: Increase in accrued annual leave liability . .	816,500
Depreciation of furniture, fixtures, and equipment	227,000
Deduct: Increase in library books	165,500
Increase in inventory of supplies	76,000
Purchase of furniture, fixtures, and equip- ment	279,500
Investment in leasehold improvements . .	599,500
Reimbursements	616,900
Operating expenses	<u>155,087,900</u>

Schedule 4

U.S. General Accounting Office
Summary of Changes in Financial Position for the
Fiscal Year Ended September 30, 1977

Source of funds:	
Appropriation for salaries and expenses	\$157,089,500
Reimbursements	616,900
Prior year funds restored	84,000
Funds carried over from preceding year to pay for orders placed in that year	3,009,200
Receipts for audit services	64,900
Other receipts	1,116,600
	<hr/>
Total	161,981,100
Application of funds:	
Accrued expenditures	155,781,800
Funds reserved at the year end for payment of unfilled orders	4,262,700
Unobligated balance of appropriation lapsed	755,100
Receipts deposited in U.S. Treasury	1,181,500
	<hr/>
Total	161,981,100
	<hr/> <hr/>

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INDEX

A

accounting principles and standards: 52–53
accounting systems: 53
acquisitions, major: 100–104
Administrative Procedures Act: 25
AFDC: *see* aid to families with dependent children
agency accounting systems, approval of: 51–52
Agency for International Development: 170–172
Agricultural Act of 1970: 22
agricultural conservation program: 10
Agriculture Department: 137–139
agricultural exports: 167–168
agricultural research: 138
agriculture, legislative recommendations for: 9–10, 15, 22
aid to families with dependent children: 19, 20, 127
aircraft maintenance personnel: 86
air defense: 102
air fares: 147
Air Force laboratories: 84
Air Force war reserves: 89
airline costs: 147
airmen, physical examination of: 15
Air National Guard: 26
air pollution control: 85
air traffic control: 36, 93
alcohol abusers: treatment, 42, 123; supplemental income under social security: 20
alcohol and tobacco excise tax: 157
Alcohol, Drug Abuse, and Mental Health Administration: 123–124
alcohol excise tax: 157
alcoholism: 19
aliens: 26
American National Red Cross Act of 1905: 22
ammunition requirements: 89
AMTRAK: 150
animal feeds: 124
antiarmor weapon systems: 102
antibiotics in animal feeds: 124
antidiscrimination programs: 127
antirecession assistance: 159
Appalachian development highway: 104
Appalachian Regional Development Act: 104
areawide planning: 164
arms control: 174–175
Army contingency planning for Pacific theatre: 87
Army Corps of Engineers: 140
Army's financial management systems: 54
Army National Guard: 26
Army spare equipment: 89
Attorney General: 26

auditing, computerized: 56
audit standards: 57
automated information systems: 81
automated payroll systems: 55
automatic data processing: 56; savings attributable to GAO, 28
aviation fuel conservation: 147

B

bank regulatory agencies: 5–6
Bankruptcy Act: 22
base support services: 84–85
benefits attributable to GAO: 28–44
bid protests: 46–47
bilateral development assistance: 170–172
black lung benefits: 131
lock grant fund: 142
budgetary terms: 73–74
budgeting: *see* mission budgeting; zero-base budgeting
bulk mail: 162
Bureau of Alcohol, Tobacco, and Firearms: 23, 157
Bureau of Engraving and Printing: 183
Bureau of Indian Affairs: 21
Bureau of Land Management: 144
Bureau of Mines: 23
Bureau of Motor Carrier Safety: 146
Bureau of Reclamation: 136
Bureau of the Mint: 159
Business loans: 139

C

cancer-causing substances: 132
capital formation: 69
CAPTOR ocean mine system: 103
career management: 111
CHAMPUS: *see* civilian health and medical program of the Uniformed Services
chemical munitions: 94
Child Nutrition Act: 14, 19–20
child support legislation: 12
children: dependent, 9, 20, 127; foster care institutions, 127
Civic Center, Washington, D.C., economic feasibility of the construction of: 160
Civil Aeronautics Board: 147; legislative recommendations, 16
Civil defense: 88
civilian health and medical program of the Uniformed Services: 129, 130
civilian personnel: 47–48
civilian personnel management: 115–116
civil rights program: 127

- Civil Service Act: 18
 Civil Service Commission: 18; revolving fund assets, 36
 claims: debt, 177–178; medicare, 181; military services, 180–181; Office of Education, 181; payment, 178–180; Veterans Administration, 180
 Claims Division: 177–182; responsibilities, 177
 Clean Air Act: 85
 clothing, military: 89
 Coalcon Project: 63
 coal mine dust sampling program: 43
 coal miners, black lung benefits for: 131
 coal reserves: 67
 Coast Guard: 148
 Colorado River Basin: 40
 Commerce Department: 140–142
 Commerce, legislative recommendations for: 15–16
 Commission on Electronic Fund Transfers: 56
 Commission on Federal Paperwork: 8
 Commodity Credit Corporation: 9
 Commodity Futures Trading Commission Act: 22
 Communications: 79–80; savings attributable to GAO, 28–30
 Community and Economic Development Division: 134–150; assistance to the Congress, 134; responsibilities, 134
 community development: 142; block grant funds, 142; savings attributable to GAO, 30; legislative recommendations, 16
 community mental health centers: 19
 Comprehensive Employment and Training Act: 131
 computer auditing: 56
 computer program conversion: 56
 Concessioners Policy Act: 27
 congressional sourcebooks: 75
 construction projects, economic analysis of: 84
 consultants employed by AID: 14, 171–172
 Consumer Product Safety Commission: 25, 39
 consumer protection: 39
 contingency planning: 114
 cost/pricing data: 39
 contingency planning, Army: 87
 contracting policies and procedures: noncompetitive contracts, 99; professional services, 99; savings attributable to GAO, 30
 coproduction programs: F–5E aircraft, 174; F–16 fighter, 100–101; M–16 rifle, 174
 copyright royalty tribunal: 279
 Corps of Engineers, Army: 136, 140
 countercyclical revenue sharings: 70
 crime: in Federal recreation areas, 153; organized, 153
 Crime Control Act of 1976: 278
 crop surpluses, controlling: 138
 crude oil, transportation charges for imported: 66–67
 cruise missile programs: 101
 currency seized by law enforcement agencies: 155
- D**
- dairy programs: 168
 dam safety: 136, 140, 145
 data collection: 148
 data processing: 81–82
 data processing equipment, procurement of: 81
 debt claims: 177–178
 deep ocean mining: 68
 defense cost-sharing agreement with Japan: 173
 Defense Department profit policy: 36
 Defense Integrated Data System: 81
 Defense Manpower Commission report: 115
 Defense Production Act of 1950: 24
 defense readiness: 87–89
 defense reserve fleet, national: 84
 deficiency payments: 10, 35
 demographic patterns, economic effect of changing: 69–70
 Denver Mint: 159
 Department of Energy Organization Act: 61, 281
 dependent children: 9, 20, 127
 deserters, military: 113
 development assistance: multilateral, 169–170; bilateral, 170–172
 disability compensation, savings attributable to GAO in: 30
 disability retirement: 107
 Disabled American Veterans: 183
 discrimination complaints: 113
 disposal of Federal surplus property: 85
 distribution management: 82–84
 District of Columbia Government: 160–161
 District of Columbia, University of: 34
 domestic intelligence: 26; savings attributable to GAO in, 34
 Drug Enforcement Administration: 154–155
- E**
- early warning system in the Sinai: 174
 economic impact analysis: 72
 economic models: 70
 economic outlook report: 70
 economic policy: 70
 education, legislative recommendations for: 16–17
 education programs: 124–125; evaluation, 125
 EEO complaints: 113
 electronic fund transfer: 56
 Egypt, U.S. assistance to: 173
 Emergency Jobs Programs Extension Act of 1976: 277
 emergency medical services: 11
 Emergency Medical Services System Act of 1973: 11–12
 emotionally disturbed: 129
 employee compensation: 106–108
 employee grievances, adjudicating: 114
 employee insurance: 106–108
 Employee Retirement Income Security Act of 1974: 131
 employee travel: 114–115
 employment and training programs: 130–132
 Employment Standards Administration: 131
 energy: international matters, 67; legislative recommendations, 27; savings attributable to GAO, 30
 Energy and Minerals Division: 60–68; responsibilities, 60
 Energy Department, authority to monitor activity of: 10
 energy conservation: 65; truckers, 149–150
 Energy Conservation and Production Act of 1976: 27, 65
 energy data: 27; verification, 66

INDEX

energy policy: 60–61
Energy Policy and Conservation Act of 1975: 65
energy regulation and pricing: 66
Energy Reorganization Act of 1974: 22
Energy Research and Development Administration: 22, 27, 62
energy resources: Federal ownership, 64; fossil, 64–65
enhanced recovery technology: 63
environmental enhancement: 10
Environmental Protection Agency: 21, 137, 147–149
environment, legislative recommendations for: 10–11, 21–22, 27
equal employment opportunity: 112–113; Federal employees, 112; discrimination complaints, 113
excise taxes, alcohol and tobacco: 157
executive schedule pay: 280–281
experts employed by AID: 14, 171–172
expropriations of U.S. direct private foreign investment: 168
exports: 20, 37
evaluation systems: 75

F

F–5E aircraft, coproduction of: 174
F–16 fighter aircraft: 100–101
facilities acquisition: 84–85
facilities construction: 84; savings attributable to GAO, 30
facilities management: operation and maintenance, 84–85; use and disposal, 85–86; maintenance, 86; in Europe, 86
facsimile communication: 79–80
Fair Labor Standards Act: 18, 114
Fair Packaging and Labeling Act: 24
Farmers Home Administration: 139
Federal agency internal audit systems, review of: 57–58
Federal aid to State and local governments: 71
Federal Alcohol Administration Act: 23
Federal Aviation Administration: 41, 93, 136, 145–146
Federal Banking Agency Audit Act: 6
Federal budgeting: 18
Federal Bureau of Investigation: 26, 34, 153
Federal Claims Collection Act of 1966: 180
Federal Coal Mine Health and Safety Act of 1969: 20, 22
Federal Communication Act 1934: 17
Federal Communications Commission: 149
Federal corporations: 183
Federal credit assistance programs: 72
Federal Crop Insurance Corporation: 6, 183
Federal Deposit Insurance Corporation: 183
Federal employees: grievances, 114; health benefits, 23, 30; life insurance, 18, 107; overtime pay, 18
Federal Employees' Compensation Act: 23
Federal Energy Administration: 65, 66
Federal Energy Administration Act of 1974: 60
Federal Financing Bank: 18, 72, 159
Federal Financing Bank Act of 1973: 159
Federal Food, Drug, and Cosmetic Act: 24–25
Federal Hazardous Substances Act: 25
Federal Highway Act: 15
Federal highway safety program: 145
Federal Home Loan Bank Board: 18, 183
Federal Home Loan Mortgage Corporation: 183
Federal information management: 82
Federal Land Policy and Management Act of 1976: 144
federally chartered organizations: 56
Federal Metal and Nonmetallic Mine Safety Act: 143
Federal Mine Enforcement Safety and Health Amendments Act of 1977: 144
Federal motor carrier safety program: 145
Federal Nonnuclear Energy Research and Development Act of 1974: 21
Federal Personnel and Compensation Division: 105–117; assistance to the Congress, 105; responsibilities, 105
Federal Power Commission: 38, 66
Federal Prison Industries, Inc.: 183, 184–185
Federal procurement, volume of: 91
Federal Property and Administrative Services Act of 1949: 85
Federal recreation areas, crime in: 153
Federal Reports Act: 24, 162
Federal Reserve System: 5–6
Federal retirement systems: 18, 106–107
Federal Salary Act of 1967: 281
Federal Savings and Loan Insurance Corporation: 183
Federal surplus property: 85
Federal unemployment taxes paid by charitable organizations: 156
Federal Water Pollution Control Act: 22, 27
fertilizers for food crops in developing countries: 172
Field Operations Division: 183–185; responsibilities, 183
Filipino veterans: 22, 128
Financial and General Management Studies Division: 51–59; responsibilities, 51; technical assistance services, 56–57
financial disclosure: 11, 108
financial management: 55; savings attributable to GAO, 30
financial savings: *see* savings
firearms seized by law enforcement agencies: 155
firefighters retirement benefits: 17
fishing industry: 141
fleet air defense: 102
fleet reservists, physical examination of: 15
flexible hours: 18
Fly America Act: 47
food: 134–136; world food program, 170
Food and Agriculture Act of 1977: 9, 138
Food and Agriculture Organization: 170
Food and Drug Administration: 124–125
Food and Nutrition Service: 19
food contamination: 124
food losses: 172
food packaging: 24
food stamps: 14, 138
Foreign Gifts and Decorations Act of 1977: 15, 175
foreign investments: 168
foreign language training programs: 175
foreign military sales: 83; savings attributable to GAO, 31
foreign military training and technical assistance services, reimbursement for: 53–54
foreign weapon systems: 89–90
Forest Service: 72
fossil energy resources: 64

foster care institutions: 127
fuel conservation program: 147

G

GAO: administration, 186–192; participation in boards, councils, and commissions, 8; staffing, 186–187
gas consumption per mile: 137
General Government Division: 151–165; responsibilities, 151
Ghana: 171
Government National Mortgage Association: 183
Government Printing Office: 87; revolving fund, 183; savings attributable to GAO, 31
Government regulation: 73
Government statistics programs: 163–164
Government-owned property: 85
grain inspection: 40
Grain Standards Act of 1976: 139
group life insurance: 107

H

handgun control: 76
handicapped: access to public buildings, 41; children, 129
Harrier aircraft: 42
hazardous substances: 132
health, legislative recommendations for: 11–12; 19, 24–25
Health, Education, and Welfare, Department of: 120–128
health insurance: 19; costs, 129
Health Maintenance Organization Act: 12, 122
health maintenance organizations: 12
Health Professional Educational Assistance Act of 1976: 7
health programs: 120–124
health research facilities: 277
health services: 121–123
hearing protection: 85
Higher Education Act of 1965: 276
highway safety, effect of 55-mph speed limit on: 146
Highway Safety Act of 1966: 145
HMO: *see* health maintenance organizations
hospitals: 19; planning model, 35
housing: legislative recommendations, 16; leased housing program, 143; subsidized, 76
Housing and Community Development Act of 1974: 142
Housing and Urban Development, Department of: 112, 142–143
housing industry: 94
Human Resources Division: 118–133; assistance to the Congress, 118–120; responsibilities, 118
human resources research and development: 116

I

illegal aliens: 26
illiteracy in the military services: 110
Immigration and Nationality Act: 20, 26
impact aid program: 125
imported products, regulation of: 124
import restrictions: 168
income security, legislative recommendations for: 12, 19, 25
income security and welfare programs: 126–127, 131–132

income tax returns, audits of: 155–156
Independent Offices Appropriation Act of 1952: 148
independent research and development: 126
Indian education: 125; legislative recommendations, 21
Indian Education Act of 1972: 16, 125
Indian Self-Determination Act: 145
Indochinese refugees: 20, 127
industrial loans: 139
industrial-plant equipment: 87
industrial waste: 148
informants, IRS use of: 158–159
information management: 82
information systems, automated: 81
institutional care: 12
insurance of overseas investment: 168
interagency use of resources: 90
interest, legislative recommendations for: 25
intergovernmental audit forums: 58
Intergovernmental Cooperation Act of 1968: 23
Intergovernmental Personnel Act: 23
intergovernmental relations: 164
Interior, Department of: 22, 27, 136, 143–145
internal audit systems: 40, 57–58
Internal Revenue Code: 18, 23, 24
Internal Revenue Service: 81, 155–159
international affairs, legislative recommendations for: 14, 20
international atomic energy activities, U.S. support of: 174
international criminal police organization: *see* INTERPOL
international exchange programs: 176
International Labor Organization: 169–170
International Operations Division, 166–176; assistance to the Congress, 166; overseas operations, 166; responsibilities, 166
international organizations, U.S. participation in: 170
international security commitments: 173–174
international trade: 167–169
International Women's Year: 128
INTERPOL: 175–176
interservice training: 109
Interstate Commerce Commission: 149–150
investment insurance: 168

J

Japan, defense cost-sharing arrangements with the U.S.: 173
Joint Financial Management Improvement Program: 58, 59
Joint Funding Simplification Act of 1974: 24
Justice, legislative recommendations for: 20, 25
Justice Department: 153–155
juvenile delinquency: 154

K

Korea, U.S. forces in: 173

L

laboratory personnel, health monitoring of: 41, 148
Labor Department: 130
labor strikes: 114
labor surplus policy: 98

INDEX

labor-management relations: 114
Landsat project: 95
law enforcement, legislative recommendations for: 20, 25
Law Enforcement Assistance Administration: 154
Law of the Sea Conference: 175
learning disabilities: 154
leased-housing program: 142
Legal Information and Reference Service, GAO: 49–50
legal services, GAO: 44–50
legislation enacted during fiscal year 1977: 276–282
legislative recommendations: 9–27
Legislative Reorganization Act of 1970: 75, 164–165
lethal chemical munitions: 94
life insurance for Federal employees: 18
liquid metal fast breeder reactor: 62
loans, savings attributable to GAO in: 31
Logistics and Communications Division: 79–90; responsibilities: 79

M

M–16 rifle: 174
major acquisitions: 100–104
Management Services Organization: 186–192
manpower, legislative recommendations for: 16–17
manpower management: personnel ceilings, 111; savings attributable to GAO, 31
Marine Protection, Research, and Sanctuaries Act of 1972: 148
Marine Resources and Engineering Development Act of 1966: 276
Maritime Administration: 140–141
mass transit: 134, 135, 145
materials: information systems, 67–68; research and development, 68; stockpiling, 68
medical equipment costs: 11
medical services, emergency: 11
medical supplies in Europe: 89
medicare and medicaid: 120–121; claims, 181; required contributions by nursing home patients, 120; cost recovery from third parties, 120; fraud and abuse, 121; savings attributable to GAO, 32
mental health centers, community: 19
mentally disabled: 123
Merchant Marine officer education: 110
mileage, gasoline: 136
military airlift of passengers: 83
military bases: 173
military clothing and textiles: 89
military compensation: 106
military deserters: 113
military jury system: 113
military justice: 113–114
military pay and allowances, audits of: 185
military personnel: 48
military reserves, training of: 110
military services: claims, 180–181; illiteracy in, 110
mineral exploration: 68
Mineral Leasing Act of 1920: 27
mine safety: 10–11, 143–144
Mining Enforcement and Safety Administration: 23

Mining Law of 1872: 27
mint: 159
mission budgeting: 18, 93–94
mortgage insurance for military personnel: 55
Motor Carrier Act: 146
multilateral development assistance: 169–170
munitions: 94
mutual savings and loan associations, ownership of: 183

N

narcotics: 154–155
National Aeronautics and Space Administration: 72, 95–97
National Bank Act: 17
national bulk mail system: 162
National Commission on Electronic Fund Transfers: 8
National Commission on Observance of International Women's Year: 128
National Credit Union Administration: 183, 184
National Dam Inspection Act of 1972: 140
national defense, legislative recommendations for: 15, 21, 26
national defense reserve fleet: 42, 84
national energy plan: 61, 64–65
national health insurance: 19, 73; effect on medicare beneficiaries, 120
National Institute for Occupational Safety and Health: 132
National Institute on Alcohol Abuse and Alcoholism: 19
National Oceanic and Atmospheric Administration: 276
national productivity: 58
National Railroad Passenger Corporation: 150
National School Lunch Act: 14, 19
national school lunch program: 14, 76
national sea grant program: 276
National Security Act: 22
National Space Science Data Center: 96
National Visitor Center: 104
nationalization of private foreign investment: 168
NATO: 26, 174; command structures, 89
natural gas cutbacks: 38
natural resources, legislative recommendations for: 21, 27
Navy aircraft maintenance: 86
Navy ship maintenance: 99
New York City: 164; fiscal outlook, 70
Nicaragua, earthquake relief and reconstruction assistance to: 171
noise control: 136, 149
Noise Control Act: 21, 136
nonappropriated funds: 116
noncompetitive contracts: 99
North Atlantic Treaty Organization: *see* NATO
North Sea oil: 67
nuclear energy: 62–63; research and development, 63–64
nuclear materials, accountability for: 62
nuclear nonproliferation, U.S. policy on: 174
nuclear powered ships: 103
Nuclear Regulatory Commission: 62–63
nuclear submarines: 82
nuclear warheads, accountability and control for: 40, 104
nuclear waste: 63
nursing homes, solicitation of contributions by: 14

O

occupational safety and health: 132
 Occupational Safety and Health Act of 1970: 25
 ocean dumping of sewage sludge: 148
 ocean mining: 68
 oceans surveys: 95-96
 oil spills: 146-147
 Office for Civil Rights (HEW): 127
 Office of Education claims: 181
 Office of Human Development: 126
 Office of Management and Budget: Federal reports act responsibilities, 163; software conversion, 56
 Office of Revenue Sharing: 159
 Office of Technology Assessment: 8
 Office of the Comptroller of the Currency: 6
 Office of the General Counsel (GAO): 44-50
 OPEC: *see* Organization of Petroleum Exporting Countries
 open legislative recommendations: 22-27
 operation breakthrough: 94
 opium eradication efforts in Mexico: 154
 Organization of Petroleum Exporting Countries: 67
 Outer Continental Shelf: 21
 overlapping financial interests: 11
 overseas medical facilities: 54
 overseas dependents schools, financial management of: 111
 Overseas Private Investment Corporation: 168
 overseas supply system: 82
 overtime pay: 18

P

Pacific Fleet Headquarters: 112
 Pacific Island Trust Territory: 276
 participation in international organizations: 170
 payment claims: 178-180
 payroll system: 55
 peanut production, controlling: 9
 Pennsylvania Avenue Development Corporation: 183, 184
 pension costs: 98
 personnel ceilings: 111
 personnel law: 47-48
 petroleum reserves: 65
 Philippines: U.S. military bases, 173-174; coproduction program for M-16 rifles, 174; Veterans Memorial Medical Center, 22, 128
 polybrominated biphenyl food contamination: 124
 population: 170; assistance to Ghana, 171
 postage rates, linking to the consumer price index: 162
 Postal Rate Commission: 162
 Postal Reorganization Act: 17
 Presidential protection: 275
 Presidential Protection Assistance Act of 1976: 275
 procurement: 91; general, 97
 procurement, savings attributable to GAO in: 32
 Procurement and Systems Acquisition Division: 91-104; responsibilities, 91
 procurement law: 46-47
 productivity improvement: 87
 professional service contracts: 99

Program Analysis Division: 69-78; assistance to committees, 74-75; responsibilities, 69
 program evaluation: 75-78; congressional oversight, 76
 program information: 73
 project status reporting system: 97
 property seized by law enforcement agencies: 155
 public diplomacy: 176
 public health service hospital system: 19, 121
 public rangelands: 144
 public schools, Indian education in: 125
 Public Works Employment Act: 70
 public works program: 140, 141

R

rangelands: 144
 recession, assistance to combat: 159
 recreation areas, crime in: 153
 recruitment for U.N. organizations: 169
 Red Cross: 122
 rental assistance program: 76-77
 repair contracts: 99
 research proposals, selection of: 39
 reserve fleet, national defense: 84
 Reserve Officer Training Corps: 21, 109
 resource conservation and recovery: 68
 resource sharing, interagency: 90
 retirement: 106-107; disability retirement payments, 107; Federal law enforcement personnel, 107; firefighter, 107
 retirement age: 77
 revenue sharing: 70, 159
 Rhodesia, economic sanctions against: 169
 ROC: *see* Reserve Officer Training Corps
 royalty income, disposition of: 35
 rural development, legislative recommendations for: 9-10, 22
 Rural Telephone Bank: 183

S

Sahel, development planning for: 170-171
 Saint Lawrence Seaway Development Corporation: 183
 savings and loan associations, ownership of: 18, 59
 savings attributable to GAO: 28-34
 school lunch program: 76
 Sea Grant Program Improvement Act of 1976: 276
 sealift readiness: 42
 SEASAT-A project: 95-96
 Securities and Exchange Commission: 47
 security-supporting assistance: 172-173
 set-aside program: 9, 138
 sewage sludge disposal: 148
 shellfish imports: 24
 ship-financing program: 140
 Sinai, early warning system: 174
 Small Reclamation Projects Act: 27
 Smithsonian Institution financial accountability: 161
 Social Security Act: 19-20, 22, 24-25
 social security tax paid by charitable organizations: 11, 156
 software conversion: 56
 soil conservation: 137
 Soil Conservation and Domestic Allotment Act: 10

INDEX

solid waste management, savings attributable to GAO in: 30
sourcebooks, congressional: 75
Space Transportation System: 96
speed limit: 146
space activities: 95-97
special studies and analysis (GAO): 49
State and Local Fiscal Assistance Act: 278
statistical programs: 163-164
stockpiling materials: 68
strategic materials stockpile: 68
Student Loan Insurance Fund: 183, 184
submarine facilities: 84
submarines: 101
submarine supply support: 82
subsidized housing: 76
summer feeding program: 13-14
sunset legislation: 77
supply management: 82; savings attributable to GAO, 33
surface combatant ships: 103
Surface Mining Control and Reclamation Act of 1977: 22
surplus property, Federal: 85
swine flu program: 121
synthetic fossil fuel: 63
systems acquisition: 91-92

T

tactical air-defense suppression programs: 102
tax administration: 81
taxes: alcohol and tobacco, 157; assessment period, 157;
community property, 158; confidentiality of information,
158; simplification of form 1040A, 11, 156; use of confi-
dential informants, 158-159
tax policy: 72
Tax Reform Act of 1976: 278
technology demonstration: 94
telecommunications systems: 80
terminology standardization: 73-74
Teton Dam disaster: 136
textiles, military: 89
tobacco tax: 157
Tomahawk cruise missile: 101
toxic substances: 10
training: interservice, 109; military reserve, 110
training and education: 109-111
Trade Act of 1974: 169
Trans-Alaska pipeline: 67
transportation: legislative recommendations, 15-16; savings
attributable to GAO, 33; space, 96
transportation analysis: 73
Transportation Department: 145-147

transportation law: 48-49
travel allowances: 114-115
Treasury Department: 155-159
Trident submarine facilities: 84
Tri-Service Medical Information System: 81
truckers: 149-150

U

unemployment assistance: 277
unemployment statistics: 70
Uniform Code of Military Justice: 21
unit pricing: 24
U.N. organizations, employee recruitment for: 169
U.S. forces in Korea: 173
U.S. military bases in the Philippines: 173
U.S. Soldiers' and Airmen's Home: 130, 277-278
United States Grain Standards Act of 1976: 6
United States Postal Service: 161
upward mobility program: 112

V

Veterans Administration: 22, 128, 180
veterans benefits and services: legislative recommendations,
22; savings attributable to GAO, 33
Veterans Canteen Service: 183
veterans hospitals, allocating beds in: 127
Veterans Memorial Medical Center: 22, 128
vocational rehabilitation: training services, 126; savings at-
tributable to GAO, 33

W

war reserves, Air Force: 84
waste treatment facilities: 21, 148
Water Supply Act of 1958: 27
weapon systems: antiarmor, 102; foreign, 89-90; savings
attributable to GAO, 33-34
welfare management: 160
welfare payment errors: 127, 160
welfare programs: 126-127
West Virginia, highway development in: 104
work measurement: 87, 111
World Food Program: 170
World Health Organization: 169
world population: 170

Y

Youth Employment and Innovative Demonstration Project
Act of 1977: 7

Z

zero-base budgeting: 77-78