



February 1987

STATUS OF OPEN
RECOMMENDATIONS:

Improving Operations of
Federal Departments
and Agencies



038161



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

**Comptroller General
of the United States**

B-205879

February 27, 1987

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

The Honorable John C. Stennis
Chairman, Committee on Appropriations
United States Senate

This is our annual report summarizing the findings and open recommendations resulting from GAO's audits and other review work in the federal departments and agencies on which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO systematically follows up on them. This report contains information on a total of 1,417 GAO recommendations which are open as of November 30, 1986.

The report summaries are arranged by the budget function categories by which federal funds are appropriated and identified in the President's budget. Two indexes are included. The Congressional/Agency Action Index can be used to identify recommendations requiring action. The Congressional Index lists the titles of the reports under committees of primary interest.

Details on these findings and recommendations can be found in the individual GAO reports which are cited in this summary. Although copies of those reports were previously provided to both the Congress and the agencies involved, this summary information should be useful to your committees in reviewing budget requests for fiscal year 1988. Please contact our Office of Congressional Relations if you wish us to suggest specific questions to be asked in appropriations hearings on the items summarized or if you need additional information.

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

A handwritten signature in cursive script that reads 'Charles A. Bowsher'.

Charles A. Bowsher
Comptroller General
of the United States

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Sample Citation

Budget Function — **Natural Resources and Environment**

Budget Subfunction — **Recreational Resources**

Title — **Illegal and Unauthorized Activities on Public Lands—A Problem With Serious Implications**

Report Number/
Document Date — **CED-82-48, 03/10/82**

Background — **Background**
GAO reviewed the federal role in providing outdoor recreation in California and Oregon.

Findings — **Findings**
GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marihuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service lands. Field officials of the National Park Service (NPS) are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the

land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation

Open Recommendations to Agencies

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.

Status: Action in process. Estimated completion date: 12/86. All of the Forest Service regions have completed bringing the Law Enforcement Management and Reporting System (LEMARS) online. About 75 percent of the regions are now reporting crime information through the system and the Forest Service is working to get the other regions to start reporting information through the LEMARS system by December 1987.

Target: Department of Agriculture

Status: Action in process. Estimated completion date: 12/86. Interior's systems are being developed by various agencies. For example, BLM adopted its California State office system as the mainframe for a national system. The developmental phase of the system was scheduled for completion by October 1, 1986, but this date was not met because of insufficient funds. However, funds have been secured for FY 1987.

Target: Department of the Interior

Recommendation Status

Status Comments

Recommendation Target Agency (when more than one target)

Recommendations to Agencies

Administration of Justice

ADP Acquisitions: Immigration and Naturalization Service Should Terminate Its Contract and Re compete

IMTEC-86-5, 03/20/86

Background

GAO reviewed the Immigration and Naturalization Service's (INS) management of automatic data processing (ADP) to evaluate its ongoing, multimillion-dollar computer systems acquisition.

Findings

GAO found that INS: (1) violated procurement regulations by conducting additional negotiations with the proposed awardee in late-night meetings, which resulted in the awardee reducing its best and final offer; (2) favorably evaluated the proposed awardee's offer of a decentralized system while it downgraded the other offerer's proposal for the centralized system it had specifically stated that it required; (3) evaluated the equipment price offers on the basis of lease-with-option-to-purchase, then awarded the contract on an installment-purchase basis, even though the other comparable offer was at least \$1.8 million lower; and (4) violated the terms of its delegation of procurement authority by accepting changes in the size and configuration of the system that increased contract costs to over \$11 million more than authorized. Although the other firm eventually negotiated an out-of-court settlement to perform the contract, it installed the original company's proposed equipment under the same terms and costs in the original contract. INS modified the contract to incorporate the new awardee's fees, which resulted in prices exceeding both the originally awarded and

published list prices. The payment of higher-than-list prices contrasts with both commercial and federal practices. Although it was urged to cease ordering equipment against the current contract and re compete its computer needs, INS renewed its agreement for fiscal year (FY) 1986. GAO believes that the continuation of the contract and the absence of documented computer needs is a material control weakness.

Open Recommendations to Congress

To ensure that INS makes no further unwise expenditures for automation, Congress should make the INS FY 1987 appropriation for computer acquisitions contingent on implementation of recommendations to the Attorney General.

Status: Action in process.

Open Recommendations to Agencies

To ensure that valid INS computer needs are met expeditiously, but at the lowest reasonable cost to the government, the Attorney General should direct the Commissioner, INS, to reassess, justify, and document current and projected INS ADP requirements and translate those requirements into a long-range, documented strategy.

The reassessment should result in a clarification of INS equipment needs.

Status: Action in process. Estimated completion date: 12/86. INS contracted with FEDSIM for a complete requirements study.

To ensure that valid INS computer needs are met expeditiously, but at the lowest cost to the government, the Attorney General should direct the Commissioner, INS, to competitively procure the automation needs outlined by this strategy and terminate its contract with the current contractor, including that equipment currently under lease.

Status: Action not yet initiated. INS is committed to a recompetition. Actual recompetition will be subject to completion of the FEDSIM study.

To ensure that valid INS computer needs are met expeditiously, but at the lowest reasonable cost to the government, the Attorney General should direct the Commissioner, INS, to report ADP procurement as a material control weakness under the Federal Managers' Financial Integrity Act (FIA).

Status: Action not yet initiated. The INS report under FIA, due on December 31, 1986, will reflect the results of their assessment.

Federal Correctional Activities

Presentence Evaluations of Offenders Can Be More Responsive to the Needs of the Judiciary

GGD-85-14, 04/09/85

Background

In order to report on how presentence psychiatric evaluations can be improved, GAO reviewed 157 cases where offenders were committed to the Federal Prison System for observation and study and 83 local studies ordered during fiscal year 1981.

Findings

GAO found that the observation and study process has not been as useful as it could be because the Judicial Conference of the United States and the Federal Prison System have not: (1) established criteria for the selection of appropriate cases for observation and study; (2) developed and disseminated guidance on the types of questions that experts can be expected to answer; and (3) established a system to evaluate whether studies have met the needs of the district courts. GAO found that judges did not provide study objectives and referral questions in 76 of the 157 cases it examined. In addition, GAO found that about 78 percent of all studies ordered in fiscal year 1981 were performed by the Federal Prison System. GAO also found that the average cost of Federal Prison System studies was approximately twice the cost of local studies, and Federal Prison System studies took approximately twice as long to complete. For over 10 years, the Parole Commission has believed that its involvement in the studies for youthful offenders should be terminated. However, the enactment of the Comprehensive Crime Control Act should make a number of changes which should improve the process.

Open Recommendations to Agencies

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop criteria for the selection of cases appropriate for observation and study.

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing Commission completes the development of the sentencing guidelines in 1987.

Target: Department of Justice

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission completes the development of the sentencing guidelines in 1987.

Target: Judicial Conference of the United States

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop and disseminate guidance to district courts on the types of questions that clinical experts can be expected to answer.

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing

Commission completes the development of the sentencing guidelines in 1987.

Target: Department of Justice

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission completes the development of the sentencing guidelines in 1987.

Target: Judicial Conference of the United States

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to establish a system for regular evaluation of whether the studies performed for the district courts are responsive to their needs.

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing Commission has completed the development of the sentencing guidelines in 1987.

Target: Department of Justice

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission has completed the development of the sentencing guidelines in 1987.

Target: Judicial Conference of the United States

Federal Correctional Activities

UNICOR Products: Federal Prison Industries Can Further Ensure Customer Satisfaction

GGD-86-6, 11/01/85

Background

Pursuant to a congressional request, GAO examined the operations of the Federal Prison Industries (UNICOR) to determine whether improvements were needed in: (1) setting and maintaining prices for its products and services; (2) staying abreast of and dealing with customer problems; and (3) granting clearances for federal agencies to buy elsewhere.

Findings

GAO found that UNICOR was not doing the market checks that its pricing policy requires to ensure compliance with the law requiring that its prices do not exceed market prices. Neither UNICOR policy nor federal regulations define market prices or how they should be determined. Some UNICOR officials stated that the checks were not being performed because of: (1) lack of time and staff; (2) difficulties in finding comparable items and identifying differences in product specifications; and (3) difficulty in getting data from some private-sector firms. Although agency officials had mixed views, most of the customers contacted had few complaints about the prices and products. In addition, the prices reviewed did not exceed the highest price charged or quoted. However, UNICOR continues to have problems implementing its cost accounting system since job cost data are needed to facilitate assessing

and setting prices and evaluating factory performance. GAO found that data on customer complaints indicated that UNICOR customers were not experiencing significant problems. However, a standard complaint form will be used to: (1) facilitate reporting by product divisions and factories; (2) stay abreast of the level of complaints; and (3) identify recurring or systematic problems. GAO also found that two-thirds of the clearances granted were issued within 10 days of the date UNICOR received the order. GAO believes that the clearance process could be avoided by improving corporate catalogs to note special products which it does not make and products which do not require a clearance.

Open Recommendations to Agencies

The Attorney General should direct the Commissioner, UNICOR, to define current market price for its products and services. UNICOR should provide guidance on such things as how many prices need to be checked or attempts made to check prices, how frequently prices need to be checked, and what factors should determine where, within the price range, the UNICOR price should fall.

Status: Action taken not fully responsive. A price documentation

checklist was developed. Justice stated that this serves to define market price. It does, in part, identify numbers, dates, and sources of market prices. However, it does not address frequency of checks, number of prices to be checked, or how the UNICOR price should be calculated.

The Attorney General should direct the Commissioner, UNICOR, to reduce the number of situations requiring clearances by adding to the UNICOR catalogs, wherever feasible, a description of product types it does not manufacture or plan to manufacture but which are frequently requested by customers. The catalog should contain a statement indicating that items identified as not manufactured do not require a clearance. Also, UNICOR should notify its employees that clearances should not be prepared for items UNICOR does not make.

Status: Recommendation valid/action not intended. Justice disagreed with this recommendation and believes that it would be difficult and costly to maintain up-to-date catalogs. Justice also believes that its present system allows it to identify new potential products.

Federal Law Enforcement Activities

U.S. Marshals Can Serve Civil Process and Transport Prisoners More Efficiently

GGD-82-8, 04/22/82

Background

GAO examined the operations of the U.S. Marshals Service and evaluated its efforts to serve civil process for private litigants and to transport federal prisoners between judicial districts.

Findings

Marshals have been required by law to serve civil process when directed by the courts. Civil process is served and fees are charged in accordance with judicial rules and federal statutes which are causing the process-serving function to be uneconomical and inefficient. Rule 4 of the Federal Rules of Civil Procedure governs the service of process and causes marshals to be excessively involved with the performance of this function. It also restricts the use of certified mail, an efficient method of service for summonses and complaints. Although

recent changes have been made to Rule 4 to broaden the range of people with blanket authorization to serve civil process and the ability of courts to specifically appoint persons to serve civil process, these changes have not had a significant impact. Rule 4 allows the use of certified mail to serve summonses and complaints to individuals, business concerns, and unincorporated associations. However, most states do not specifically allow the routine use of certified mail to serve civil summonses and complaints. GAO found that certified mail was an effective and efficient method of service and did not hamper court operations. In an effort to reduce the cost of transporting federal prisoners across federal judicial district boundaries, the National Prisoner Transportation System was developed. However, it is not being used to its full potential, which results in unnecessary transportation costs and danger to the public.

Open Recommendations to Congress

Congress should revise 28 U.S.C. 1921 to give the Attorney General authority to periodically revise the fees that marshals charge for serving civil process for private litigants in federal court.

Status: Action in process.

Congress should require that the established fees provide full recovery of marshals' actual operating costs to serve private civil process exclusive of the costs incurred to serve process for indigents.

Status: Action in process.

Federal Law Enforcement Activities

Better Care and Disposal of Seized Cars, Boats, and Planes Should Save Money and Benefit Law Enforcement

PLRD-83-94, 07/15/83

Background

GAO reported on the government's storage, care, and use of vehicles, vessels, and aircraft that are seized and forfeited for transporting controlled substances and illegal aliens.

Findings

GAO found that seized conveyances are normally held by law enforcement agencies for prolonged periods awaiting forfeiture to the government, during which time they receive little care, maintenance, or protection. GAO noted that, when the conveyances are sold, they often sell for only a fraction of

their appraised value at seizure, largely because of their poor condition and ineffective federal sales practices. Further, if the agencies acquire the forfeited conveyances for their official use, they usually have high startup and continual repair costs. GAO also noted that storage problems with seized property have periodically hindered law enforce-

ment efforts. GAO concluded that these problems, if not resolved, will likely become more extensive as the use of seizure as a means of fighting crime increases.

Open Recommendations to Agencies

The Secretary of the Treasury and the Attorney General should: (1) establish information systems to measure the effectiveness of their agencies' management of seized property, including forfeiture time frames, conveyance values at seizure, appraisal source, sales return, sales return as a percentage of seizure valuation, storage and maintenance costs, and incidents of deterioration, vandalism, and theft; and (2) institute policies that require property managers to consider the costs of property devaluation and lower sales returns in addition to the direct costs for security, storage, and maintenance,

when determining the extent and quality of care to be provided for seized property.

Status: Action in process. The current GAO review of seized cash indicates that weaknesses continue in Drug Enforcement Administration and Customs Service information systems, along with other policy and procedural weaknesses. Reviews should be completed in mid-1987.

Target: Department of the Treasury

Status: Action in process. The Comprehensive Crime Control Act of 1984: (1) raised the forfeiture limit for conveyances; (2) established funds from forfeited conveyances to store, maintain, and dispose of other conveyances; and (3) increased reporting requirements. It is being implemented.

Target: Department of Justice

The Secretary of the Treasury, to reduce the Customs Service's lengthy forfeiture process, should: (1) adopt procedures for notifying owners that their property has been seized and requesting that titles and contracts be submitted with the petitions for return of the property; (2) require petitioners seeking return of seized property to state the basis on which such claims are made, provide available evidence to support such claims, and provide proof of ownership or interest to assist the agency in conducting its investigations; (3) reduce the time frames for petitioners to post claims and for Customs to investigate petitions; and (4) reduce the review levels for property valued over \$25,000.

Status: Action in process. The Comprehensive Crime Control Act of 1984: (1) raised the forfeiture limit for conveyances; (2) established funds from forfeited conveyances to store, maintain, and dispose of other conveyances; and (3) increased reporting requirements.

Federal Law Enforcement Activities

Selling Abandoned Merchandise: How the U.S. Customs Service Could Increase Revenues

GGD-83-79, 09/30/83

Background

GAO evaluated the U.S. Customs Service's program for the disposal of merchandise which was abandoned for more than a year by importers and stored by Customs in public or private warehouses.

Findings

GAO found that Customs could increase the net sale proceeds of its auctions of abandoned merchandise by revising procedures and strengthening program controls. A review of five auctions showed that: (1) a shorter storage period would have reduced storage expenses and increased net revenues by \$71,131 if the merchandise could have been sold 6 months sooner, or \$94,093

if it could have been sold 9 months sooner; (2) Customs incurred additional storage costs of \$335,870 because it did not remove merchandise from storage when the 1-year storage period expired because of staff shortages; and (3) Customs could have realized additional duties of about \$8,060 if it had better implemented existing procedures for collecting and disposing of proceeds from the sale of bonded merchandise.

Open Recommendations to Agencies

The Secretary of the Treasury should draft and submit legislation to amend section 491(a) of the Tariff Act of 1930,

19 U.S.C. 1491(a), to reduce the 1-year period that unclaimed imported merchandise must remain in Customs' custody before it is considered abandoned by the government.

Status: Action in process. Customs drafted legislation to amend section 491(a) of the Tariff Act of 1930. Treasury submitted the legislation to Congress in the Customs Enforcement Act of 1986. The Committee deleted the language addressing the recommendation when it changed the act to the International Drug Traffic Enforcement Act. Since no action was taken, legislation must be reintroduced in the new Congress.

Federal Law Enforcement Activities

Justice Needs Better Controls Over Payment of Witness Fees

GGD-84-61, 07/12/84

Background

GAO reviewed how three U.S. attorney's offices and three U.S. Marshals Service offices manage the use of and payments to fact witnesses and to experts who testify at trials or in non-trial activities.

Findings

GAO found that Department of Justice policy regarding the approved use of and payments to fact witnesses is not being followed, and fact witness payments are being processed and paid by the U.S. marshals offices without proper certification. Further, payments to some expert witnesses are not in compliance with Justice guidelines. Regarding expert consultants who assist with non-trial activities, no clear Justice guidance exists to help U.S. attorneys and marshals in calculating their compensation.

Open Recommendations to Agencies

The Attorney General should direct the Justice Management Division to develop guidance for U.S. attorneys and marshals to use in negotiating fees and making payments to experts who are used in nontrial activities.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees. As of November 24, 1986, the draft order was circulated for comment within Justice.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that all fact witness claims must be properly completed before payments are made and must include approved certifying signatures.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees. As of November 24, 1985, the draft order was circulated for comment within Justice.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that departmental approval must be obtained prior to obtaining the services of expert witnesses.

Status: Action in process. Estimated completion date: 10/86. A June 1984 draft order delegates authority to assistant attorneys general of the legal divisions and the Director, Executive Office of U.S. Attorneys, to approve the use of expert witnesses. Prior Justice approval would not be required for negotiating and awarding contracts of \$2,500 or less. As of November 24, 1986, the draft order was circulated for comment within Justice.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that expert witnesses must be paid only by the Justice Management Division.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees. As of November 24, 1986, the draft order was circulated for comment within Justice.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that fees paid to experts used for nontrial purposes must be in compliance with Justice policies once they are promulgated.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees. As of November 24, 1986, the draft order was circulated for comment within Justice.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to make supervisory reviews of payments to fact witnesses to ensure they are accurate and comply with Justice guidelines.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees. As of November 24, 1986, the draft order was circulated for comment within Justice.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to routinely notify

fact witnesses of their entitlements and provide each of them a copy of the Justice Form OBD-2 before they make their travel arrangements.

Status: Action in process. Justice is presently preparing a departmental order setting forth the policies and procedures for payment of witness fees.

As of November 24, 1986, the draft order was circulated for comment within Justice.

Federal Law Enforcement Activities

Opportunities for Immigration and Naturalization Service To Improve Cost Recovery and Debt Collection Practices

GGD-84-86, 07/13/84

Background

GAO reviewed selected revenue-producing activities of the Immigration and Naturalization Service (INS) to determine whether INS is recovering the costs of services provided to identifiable recipients. GAO also determined how effective INS has been at collecting debts owed the government.

Findings

GAO found that, as of September 1983, INS had delinquent accounts receivable amounting to more than \$118 million. Although INS recognizes the need to more fully recover costs and improve collection activities and has taken some corrective actions, it has missed opportunities. INS can more fully recover costs for certain services provided to the airlines and for certain fees related to applications for immigration benefits. Also, INS can more effectively and aggressively bill for and collect debts owed the government.

Open Recommendations to Agencies

The Attorney General should direct the Commissioner, INS, to: (1) review fees annually and adjust them in accordance with Office of Management and Budget requirements; (2) review the adequacy of the \$25 maximum charge

for private aircraft and vessel inspection and, if appropriate, propose legislation to increase it; and (3) work with the Executive Office for Immigration Review on implementing proposed fees for appeals.

Status: Action in process. A draft final rule responding to the first and third part of this recommendation is with the Attorney General. GAO will be preparing an accomplishment report for about \$8 million when final. GAO is following up on the second part of this recommendation.

The Attorney General should direct the Commissioner, INS, to establish controls to ensure that debts owed the government are promptly identified, recorded, and billed.

Status: Action in process. Actions promised by INS have fallen short of expectations. GAO is evaluating possible follow-up action.

The Attorney General should direct the Commissioner, INS, to establish debt ceilings and a system to track debt levels and bond coverage nationwide, by company, to ensure that bond amounts are adequate to cover the total potential loss from company default.

Status: Action in process. GAO is currently evaluating agency actions.

The Attorney General should direct the Commissioner, INS, to require that bonds from airlines cover liquidated damages as well as fines.

Status: Action in process. GAO is currently evaluating agency actions.

The Attorney General should direct the Commissioner, INS, to demand payment from surety companies for breached immigration bonds and delinquent debts owed by carriers and, through the Department of the Treasury, pursue decertification of surety companies that fail to pay.

Status: Action in process. GAO is currently evaluating agency actions.

The Attorney General should direct the Executive Office for Immigration Review to work with INS in implementing proposed fees for appeals.

Status: Action in process. A proposed final rule with the Attorney General will respond to this recommendation. Action is expected shortly.

Federal Law Enforcement Activities

Bank Secrecy Act: Treasury Can Improve Implementation of the Act

GGD-86-95, 06/11/86

Background

In response to a congressional request, GAO: (1) reviewed the Department of the Treasury's management of the Bank Secrecy Act of 1970; (2) studied how law enforcement personnel use the act; and (3) examined the collection, analysis, and dissemination of data compiled as a result of the act.

Findings

GAO noted that the law requires individuals and institutions to file reports on: (1) currency transactions exceeding \$10,000; (2) the movement of currency over \$10,000 into or out of the United States; and (3) those having a financial interest in or signature authority over bank accounts, securities, accounts, or other financial accounts in a foreign country. GAO found that: (1) Treasury lacks information about how supporting agencies carry out their delegated duties; (2) Treasury does not know the extent to which agencies use the act in their criminal investigations and prosecutions; (3) between January 1985 and March 1986, the Internal Revenue Service (IRS) experienced a major backlog of unprocessed reports; (4) the Customs Bureau processed its reports within a month of receipt; (5) Customs now provides feedback forms with reports sent to law enforcement agents and has proposed revised guidelines for disseminating data that would decrease the time law enforcement officials spend on obtaining certain types of data; (6) Customs and IRS are the primary users of the act and its data in Florida and California; (7) the Federal Bureau of Investigation and the Drug Enforcement Administration use the act and its data in investigations and prosecutions for crimes other than

currency violations; and (8) Treasury and the Department of Justice are considering amending the act's implementing regulations to clarify the reporting requirements.

Open Recommendations to Agencies

The Secretary of the Treasury, through the Assistant Secretary for Enforcement, should establish management controls aimed at providing more information to Treasury headquarters about the activities of the agencies and bureaus to which it has delegated authority to implement the Bank Secrecy Act of 1970. Such controls would help its headquarters to improve the implementation of the act and would provide assurance to its headquarters that the primary purpose of the act, aiding law enforcement officials in the detection, investigation, and prosecution of criminal activities, is being met.

Status: Action in process. Treasury instituted an extensive review of all aspects of implementation and enforcement of the act.

The Secretary of the Treasury, to improve implementation of the act, should establish formal reporting procedures for agencies and bureaus with act-related duties, which will ensure that Treasury headquarters regularly receives significant and comparable information about compliance and enforcement efforts.

Status: Action in process. Treasury initiated discussions, through the Bank

Secrecy Act working group, with various agencies on the types of statistical and qualitative information that those agencies could provide on a quarterly basis to Treasury for its oversight of compliance activities. Treasury's Office of Financial Enforcement will be required to provide quarterly reports to the Assistant Secretary of Enforcement.

The Secretary of the Treasury, to improve implementation of the act, should develop procedures for referring financial institutions found in violation of the act to Treasury for consideration for a civil review leading to possible civil penalties.

Status: Action in process. Through the Treasury Bank Secrecy Act Enforcement Advisory Group and its Bank Secrecy Act Working Group, Treasury is working with the financial institution supervisory agencies and other agencies to develop uniform guidelines for referrals of possible civil penalty costs to Treasury.

The Secretary of the Treasury, to improve implementation of the act, should obtain information from law enforcement agencies, which would identify cases when the act or its data is used in criminal investigations and prosecutions.

Status: Action in process. Treasury initiated discussions with law enforcement agencies on the uses to which such data are put. Treasury will develop formal mechanisms by which significant information regarding the use of the act or its data in criminal investigations and prosecutions could be provided in

a timely fashion to Treasury and the Customs Service.

The Secretary of the Treasury, to improve implementation of the act, should require Customs to establish a system for planning its analytical activities and modifying these plans based on feedback from law enforce-

ment officials to ensure that Customs' analyses are meeting the needs of the law enforcement community.

Status: Action in process. Treasury initiated a series of discussions with various federal law enforcement agen-

cies to obtain preliminary information on the uses to which those agencies have put Bank Secrecy Act data, and on the types of feedback mechanisms that might be created to provide Treasury and Customs with timely information on those agencies' current needs.

Federal Law Enforcement Activities

Cargo Imports: Customs Needs To Better Assure Compliance With Trade Laws and Regulations

GGD-86-136, 09/08/86

Background

In response to a congressional request, GAO reviewed the Customs Service's cargo inspection process to determine whether this process ensures adequate enforcement of U.S. import laws.

Findings

GAO found that most of Customs' physical examinations of imported cargo were superficial and inadequate because the inspectors: (1) usually examined one or two packages selected from the most accessible locations in the shipment; (2) often allowed non-Customs personnel to select the merchandise to be examined; and (3) usually did not verify that the quantity in the shipment was equal to

the amount the importers declared. The Department of the Treasury's amendment to Customs' regulations allowed Customs to use a selected inspection system in which it would examine only the shipments categorized as high-risk; however, the manner in which Customs performed the inspections did not provide reliable information for determining whether it should examine similar shipments. GAO believes that: (1) the lack of specific guidelines and the high volume of merchandise requiring inspection have reduced the quality of Customs' examinations; and (2) although Customs' inspectors should have some discretion in determining the thoroughness of examinations, guidelines are needed for determining the examination intensity based on the shipment's potential risk.

Open Recommendations to Agencies

To assist Customs in ensuring that cargo entering this country is in compliance with import requirements, the Secretary of the Treasury should direct the Commissioner of Customs to develop specific policies and procedures for inspectors to use for determining the intensity of cargo examinations. Customs should base the degree of intensity on the risk of the shipment and the purpose of the examination.

Status: Action not yet initiated. Treasury has not responded to the report. An agency response is not due until December 8, 1986.

Federal Litigative and Judicial Activities

After the Criminal Fine Enforcement Act of 1984—Some Issues Still Need To Be Resolved

GGD-86-2, 10/10/85

Background

Pursuant to a congressional request, GAO reviewed Department of Justice and Administrative Office of the U.S. Courts policies and procedures for tracking, monitoring, collecting, and enforcing criminal fines.

Findings

GAO found that: (1) many offenders do not pay their fines; (2) there were no formal procedures governing the collection process; (3) probation officers do not obtain financial information to support a conclusion about the offender's financial status; (4) P.L. 98-596 requires the court to consider several factors in determining whether to impose a fine and the amount of the fine, including the defendant's income, earning capacity, and financial resources; and (5) U.S. attorneys' offices do not have the information needed to enforce fine payments because the courts do not routinely provide them with such information. GAO also found that: (1) a procedure is needed to deal with the changes in a offender's ability to adhere to installment payments established by the court; (2) five U.S. attorneys' offices did not have a record of fines imposed for about 40 percent of the fines sampled; (3) both the U.S. Attorneys' Office and the Probation Office are responsible for monitoring fines, but information is not shared between the two offices; (4) criminal fines are not collected promptly and effectively because enforcement techniques are not used to compel payment; (5) Justice guidelines do not provide the U.S. attorney collection units with established requirements as to when and how specific enforcement techniques should be used; and (6) probation offices are required

to report to the court on any unpaid fine, but the law does not set a time frame for reporting.

Open Recommendations to Agencies

To eliminate duplication of the gathering of financial data and enhance the collection and enforcement of criminal fines, the Director of the Administrative Office of the U.S. Courts and the Attorney General should work together to develop a standard court financial report form that can be shared with U.S. attorneys' offices.

Status: Action in process. The Probation Division of the Administrative Office (AO) established a work group to standardize and improve financial information provided by probation offices to the court for sentencing purposes and to develop training programs in financial investigative techniques for probation officers.

Target: Administrative Office of the United States Courts

Status: Action in process. Justice and AO have agreed on standard forms for certain types of offenders.

Target: Department of Justice

To eliminate duplication of the gathering of financial data and enhance the collection and enforcement of criminal fines, the Director of the Administrative Office of the U.S. Courts and the Attorney General should work together to develop, in conjunction with the Judicial Conference, guidance on per-

mitting the probation offices to disseminate financial information to the U.S. attorneys' offices.

Status: Action in process. This recommendation will be placed on the agenda of the Judicial Conference Committee on the Administration of the Probation System.

Target: Administrative Office of the United States Courts

Status: Action in process. Justice and AO are in the process of developing a plan for dissemination of financial data to U.S. attorneys' offices.

Target: Department of Justice

The Attorney General, working with the Director of the Administrative Office of the U.S. Courts, should develop mechanisms for establishing a central system for reporting, tracking, and accounting for all court-imposed criminal fines. If this is agreed upon, existing procedures should be revised to assign responsibility for performing these functions.

Status: Action in process. AO recently developed forms and procedures for use in misdemeanor and petty offense cases to facilitate the transfer of responsibility for collecting fines to Justice. Memoranda were sent to all magistrates and clerks of the court.

Target: Administrative Office of the United States Courts

Status: Action in process. Justice is presently in the process of developing a central system.

Target: Department of Justice

The Attorney General and the Director of the Administrative Office of the U.S. Courts should work together to establish a policy on when enforcement techniques should be used by the U.S. attorneys' offices and the probation offices. This policy should include time frames

for accomplishing critical steps in the enforcement process.

Status: Action in process. AO will work with Justice to establish an understanding as to the respective duties and roles of the U.S. Attorney's Office and the Probation Office.

Target: Administrative Office of the United States Courts

Status: Action in process. Justice is developing guidelines on enforcing the collection of criminal fines. Once developed, guidelines will be reviewed by AO for concurrence.

Target: Department of Justice

The Role of Marketing Orders in Establishing and Maintaining Orderly Marketing Conditions

RCED-85-57, 07/31/85

Background

GAO reviewed 9 marketing orders covering 11 agricultural commodities to: (1) address controversies surrounding the marketing order program and the effect of each individual type of marketing order tool on commodity supplies; (2) determine emerging trends in the use of marketing orders; and (3) assess the Agricultural Marketing Service's (AMS) administration of the marketing order program. Under the program, AMS helps commodity producers collectively work out solutions to supply and demand problems that individual producers are unable to resolve.

Findings

Critics of marketing orders contend that: (1) economic efficiency is enhanced when commodity prices and availability are determined in competitive markets; and (2) marketing orders undermine efficiency by artificially and excessively raising commodity prices higher than free market conditions would allow. Proponents of marketing orders argue that they reduce supply imbalances for perishable commodities in markets that are volatile if unregulated. GAO found that: (1) the marketing orders for hops and spearmint oil restrict new growers from entering the marketplace, and the marketing order for lemons typically results in waste; (2) while most marketing orders regulate the entry

of products into the market, both producers and consumers benefit from the restrictions; (3) controls governing the quality of commodities encourage producers to improve products and assure consumers that their products meet minimum quality standards; (4) for 10 of the 11 commodities studied, competitive forces are sufficient to limit price increases; and (5) the current trend in marketing order operations is a shift from controlling supply to enhancing demand using a mixture of research, development, and advertising tools. In addition, GAO found that: (1) AMS plays a limited role in industry education; (2) the program operations manual for marketing orders has not been updated since 1966 and does not address the shift to marketing orders designed to enhance demand; and (3) AMS has no criteria to measure marketing system performance.

Open Recommendations to Agencies

The Secretary of Agriculture should require the Administrator, AMS, to develop and apply criteria for measuring the performance of individual marketing orders and make the results available so that Department of Agriculture (USDA) decisionmakers and other interested parties can appro-

priately judge the merits and shortcomings of marketing orders.

Status: Action in process. Estimated completion date: 01/87. A criteria development task force, made up of five university agricultural economists, was established in May 1986. The team developed draft criteria and held meetings around the country to obtain industry input. It plans to present a report to the Administrator, AMS, in early 1987.

The Secretary of Agriculture should direct the Administrator, AMS, to update and keep current the operations manual for marketing orders. The manual should: (1) incorporate the criteria for measuring the program's principal objective of creating and maintaining orderly marketing; (2) incorporate legislative and administrative policy and guideline changes, including 1982 and 1983 marketing order guidelines; and (3) focus on ways to develop market-oriented programs that can improve the quality and variety of available products.

Status: Action in process. Estimated completion date: 01/87. USDA issued a request for proposals in March 1986 to update its Marketing Order Operations Manual. The manual is scheduled for completion in early 1987.

Internal Control Improvements Needed in Agriculture's Miscellaneous Payments System

AFMD-85-66, 09/19/85

Background

GAO reviewed the Department of Agriculture's (USDA) National Finance Center's (NFC) miscellaneous payments system to assess the: (1) adequacy of internal controls for ensuring the accuracy and reliability of payment transaction processing; and (2) controls for ensuring the system's compliance with Comptroller General requirements pertinent to payment systems.

Findings

GAO found that: (1) key internal control objectives for the system were not being met because field agency and NFC internal control techniques were inadequate or not followed; (2) internal control weaknesses significantly increased the vulnerability of the system to transaction data errors and unauthorized payment transactions; and (3) transaction data errors could undermine the system's effectiveness in complying with Comptroller General standards for accuracy in processing and financial reporting. GAO also found that: (1) control

improvements were needed at the field-certifying-officer level to ensure the accuracy of system transaction data; (2) improvements were needed in NFC data entry activities to ensure the accuracy of data processed; (3) NFC needs to discontinue bypassing a system designed to ensure proper reporting; (4) NFC needs to increase the scope of its payment transaction audits to better ensure that errors not detected are identified; (5) NFC needs to better control sensitive codes used by the system to assist in ensuring that only authorized transactions are processed; and (6) internal procedures need to be updated for the payments system.

Open Recommendations to Agencies

The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to establish a procedure for periodically analyzing reasons for system edit rejec-

tions by source so that appropriate actions to obtain improvements can be initiated.

Status: Action in process. The one-time study is incomplete. NFC would like to bill agencies based on edit rejections. The projected date for billing capability is fiscal year 1988.

The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to increase the number of essential miscellaneous payments system data fields for which rekeying is performed by data entry clerks to ensure accuracy, at least on a selective transaction basis.

Status: Action in process. The study is completed and fields have been identified; however, implementation is delayed pending receipt of new data input hardware.

Agriculture's Second-Year Implementation of the Federal Managers' Financial Integrity Act

RCED-86-20, 10/24/85

Background

GAO reviewed the Department of Agriculture's (USDA) second-year implementation of the Federal Managers' Financial Integrity Act of

1982 to assess: (1) improvements in internal controls and the process used to evaluate and correct control weaknesses; (2) the status of major accounting systems and evaluations; and (3) the accuracy and completeness of the Secretary's annual report on

internal controls and accounting systems.

Findings

GAO found that: (1) although USDA has been correcting known internal con-

control problems and has been improving its system for evaluating and correcting internal control weaknesses, it needs to strengthen techniques for measuring and reducing program vulnerability and monitoring the effectiveness of corrective actions; (2) four USDA agencies have not yet implemented an internal control program consistent with Office of Management and Budget and departmental guidelines; (3) in some instances, reported corrective actions did not correct the problem or were misleading because the action only partially solved the problem; and (4) the methods used by managers to examine program risk were not yielding consistent and reliable results. GAO also found that: (1) most large systems had not been examined using evaluation techniques that test sys-

tems in operation; (2) several large systems are undergoing redesign to correct longstanding deficiencies that will take several years to complete; and (3) the Secretary accurately reported that complete assurance could not be given that USDA was meeting the act's requirements because of the large number of uncorrected internal control and accounting weaknesses.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Assistant Secretary for Administration to: (1) review major system development efforts to help

ensure that efforts are successful; (2) address GAO principles, standards, and related requirements; (3) meet established time frames for completion; (4) develop minimum acceptable standards for system evaluation, and provide system reviewers with guidance on how to perform such evaluations and ensure their quality; and (5) sufficiently test accounting systems in operation to determine conformance with the Comptroller General's principles, standards, and related requirements.

Status: Action in process. Estimated completion date: 12/86. Follow-up action on this recommendation will be undertaken shortly after January 1987.

Farmers Home Administration: Federally Acquired Farm Property Presents a Management Challenge

RCED-86-88, 06/13/86

Background

In response to a congressional request, GAO examined the increase in the number of farms that the Farmers Home Administration (FmHA) acquired as a result of loan foreclosures and other actions, specifically: (1) why the increase occurred; (2) the financial impact on the government; and (3) how well FmHA is managing the properties.

Findings

GAO found that: (1) the increase in the number of farms that failed is due to poor farming and financial practices or personal problems but future failures may be related to economic factors; (2)

FmHA lost revenues from acquiring the inventory properties due to undersecured loans and bad loan-servicing policies; and (3) FmHA allotted only a minimal amount of funds to manage the inventory properties in 1985 but will increase its management expenditures to maintain property values and result in higher sales income in the future.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FmHA, to

issue a policy directive to FmHA state personnel stating that, when suitable property is not sold within a specified time, perhaps 1 year, because of a lack of eligible buyers or economic conditions, it should be reclassified as surplus property.

Status: Action in process. Estimated completion date: 01/87. FmHA drafted revised regulations which will require unsold suitable property to be declared surplus within 1 year of acquisition. Regulations should be issued for comment in December 1986 and finalized in February 1987.

Agricultural Research and Services
Improved Management of Import Meat Inspection Program Needed

 RCED-83-81, 06/15/83

Background

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

Findings

GAO found that, at the 10 highest volume ports, where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) work load imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service (FSIS) officials found that most inspectors cited the need for periodic training and better communication between

inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, FSIS is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that the new system should improve FSIS ability to assess these risks.

Open Recommendations to Agencies

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

Status: Action in process. Estimated completion date: 09/87. FSIS has established a task force to study the container issue. Development of integrity criteria could take up to 2 years to

develop for canned products. FSIS has made some determinations for other packaged products, which had not been implemented as of December 1986.

The Secretary of Agriculture should direct FSIS to develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sampling of plants as a basis for appraising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Periodic reviews of plants outside the sample should be made at least annually for considering such factors as volume of exports and rejections at U.S. ports. Plants not exporting to the U.S. should not be reviewed.

Status: Action in process. Estimated completion date: 09/87. FSIS is developing an automated system which should be operable to the extent that data could be entered beginning in September 1987.

Agricultural Research and Services
The Department of Agriculture's Animal Welfare Program

 RCED-85-8, 05/16/85

Background

Pursuant to a congressional request, GAO studied the Department of Agriculture's (USDA) activities under the Animal Welfare Act, which authorizes USDA to inspect the premises of animal dealers, research facilities, exhibitors, and carriers to ensure the humane care and treatment of animals. GAO focused on: (1) training and guidance given to USDA inspectors; (2) frequency and scheduling of inspections; (3) corrective actions that USDA takes when it discovers violations; (4) inspection monitoring and statistics; and (5) allocation of available funding.

Findings

GAO found that: (1) written guidance for animal inspectors comes from animal welfare standards in the Code of Federal Regulations; (2) many of the

inspectors and regional officials interviewed thought that training was inadequate; (3) the Animal and Plant Health Inspection Service (APHIS), which is responsible for animal inspections, does not have a formal scheduling system for inspections; (4) many facilities were not inspected at all during 1983 because of funding constraints and inadequate staff resources; and (5) while APHIS offices generally complied with policies governing timely corrective actions, there were instances where APHIS did not reinspect violators or failed to properly process corrective actions. GAO also found that: (1) while APHIS has delegated inspection quality assurance functions to its area offices, it has not specified a system or procedure for carrying out such functions; (2) inspection statistics compiled by APHIS for management activities and its annual report were not consistent with statis-

tics maintained by its area offices; and (3) the way in which APHIS allocated funds to area offices for inspections led to a wide variance in inspection frequencies among area offices.

Open Recommendations to Congress

If Congress decides to continue funding the Animal Welfare Program, it should consider requiring the Secretary of Agriculture to recover more of the cost of the program from licensees, taking into account what the impact of any increases might be on them.

Status: Action not yet initiated.

Agricultural Research and Services
Biotechnology: Agriculture's Regulatory System Needs Clarification

 RCED-86-59, 03/25/86

Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA): (1) programs and activities relating to biotechnology; (2) decisionmaking concerning the release of genetically engineered organisms into the environment; and (3) relationship with other federal agencies involved in biotechnology.

Findings

GAO found that: (1) USDA has not formulated a well-defined regulatory structure to approve requests for the deliberate release of genetically engineered organisms into the environment; (2) oversight of biotechnology programs is handled by agencies within USDA that were established before the new biotechnologies and have other responsibilities; (3) the USDA Agriculture Recombinant DNA

Research Committee (ARRC) lacks the authority and direction to effectively act as the focal point for biotechnology matters; and (4) USDA has not communicated to Congress and the public both the benefits and the risks of biotechnology, as well as its plans to minimize those risks. GAO also found that USDA has been hesitant to develop a well-defined regulatory structure because: (1) it does not want to impose cumbersome regulations that might stifle growth; (2) the Office of

Science and Technology Policy has been examining biotechnology regulation and coordinating the actions of many federal agencies; and (3) several lawsuits filed by opponents of biotechnology have created some anxiety. USDA has recently set up a general framework for biotechnology regulation, but it still needs to establish: (1) detailed procedures concerning responsibility for a wide range of research and product development; (2) ARRC authority and duties; and (3) improved communications with Congress and the public for more informed discussion and a lessening of fears.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Assistant Secretaries for Marketing and Inspection Services and Science and Education to work together to develop a formalized, well-defined regulatory structure over biotechnology, particularly with regard to deliberate releases of genetically engineered organisms into the environment. Such a structure should be sufficiently detailed to minimize questions about

who in USDA is responsible for decisions in particular areas and flexible enough to encompass the wide range of biotechnological research and product development expected. It could, if deemed appropriate, incorporate a fully developed National Biological Impact Assessment Program and recombinant deoxyribonucleic acid guidelines geared specifically towards agriculture. Further, it should clearly identify the regulatory procedures for handling requests to license biotechnology products and approve the deliberate release of genetically engineered organisms into the environment.

Status: Action taken not fully responsive. USDA has had a well-defined regulatory structure in place for years, which it claims accommodates biotechnology. It described early 1986 initiatives that would provide added information concerning its treatment of biotechnology. USDA failed to address its plans for handling future requests for approval to release genetically engineered organisms into the environment.

The Secretary of Agriculture should direct the Assistant Secretaries for Marketing and Inspection Services and

Science and Education to work together to provide the USDA coordinating committee, currently ARRC, with the authority, prestige, and sense of direction it needs to effectively act as the USDA focal point for biotechnology. The committee should have the power to resolve differences that may arise with regard to biotechnology within USDA and to act on behalf of USDA in resolving differences between USDA and other federal agencies, such as the National Institutes of Health, Environmental Protection Agency, or Food and Drug Administration. The committee should be constituted as it is now with representatives from various agencies within and outside USDA. The various representatives should be capable of and willing to commit high priority to their committee responsibilities.

Status: Action taken not fully responsive. USDA rejected the notion that ARRC should be given the authority, prestige, and sense of direction it needs to effectively act as the USDA focal point for biotechnology. Its comments reflect the division between researchers and regulators as to how to deal with biotechnology.

Farm Income Stabilization

More Attention Needed in Key Areas of the Expanded Crop Insurance Program

RCED-84-65, 03/14/84

Background

GAO reviewed the Federal Crop Insurance Corporation's (FCIC) actuarial practices, the rates at which private sector companies were compensated for selling and servicing crop insurance, and the distribution of gains and losses on crop insurance sold by private companies and reinsured by FCIC.

Findings

Congress has expressed concern regarding FCIC progress in implementing the Federal Crop Insurance Act of 1980, the effectiveness of program changes when insurance losses in 1981 and 1982 are considered, and the annual increases in FCIC appropriation requests. GAO found that, following enactment of the legislation, FCIC made substantial progress in expanding the program and

involving the private sector in selling and servicing crop insurance. However, FCIC did not give appropriate attention to ensure that its insurance was actuarially sound, did not carefully evaluate its actions involving the private sector, and did not make a detailed cost study when it established the compensation rates for the private sector companies' sales and service activities. Under the expanded reinsurance program, private insurance companies obtain rein-

insurance coverage from FCIC as protection against part of the risk of insuring crops. Allowed annual revisions to the standard reinsurance agreement have resulted in increased costs and risks to FCIC. GAO noted that FCIC has initiated numerous actions that should improve the insurance paperwork submitted by independent insurance agents and taken steps to develop a comprehensive quality control program and a

plan for an independent audit of the reinsured companies.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Board of Directors and Manager, FCIC, to consider the potential for obtaining actual crop yield data and using such data to establish homogeneous risk groups and the proper

relationships among each group's yields and risk rates.

Status: Action in process. FCIC agreed that homogeneous risk groups should be established, however, it will take a long time to obtain the necessary data to establish such groups. The data needed will be generated through the Actual Production History Program, which was recently implemented.

Farm Income Stabilization

Farm Credit System: Analysis of Financial Condition

GGD-86-150BR, 09/18/86

Background

In response to a congressional request, GAO provided an overview of the important issues facing the farm credit system, specifically: (1) an assessment of internal problems that may have contributed to the system's financial problems; (2) a periodic assessment of the financial condition of the system; and (3) a projection of its condition for the next 12 months.

Findings

GAO concluded that: (1) the effects of problem loans and high borrowing

costs and the probability that these conditions will continue raise serious questions about the viability of the system; (2) losses similar to those the system incurred in 1985 will continue in the future unless the agricultural economy improves or the system can borrow and lend money at more competitive rates; (3) private or federal assistance could be needed by the end of 1986 since the system's unallocated surplus may be exhausted by then; and (4) previous management decisions to fund the system's activities with long-term, fixed-rate bonds are preventing the system from maintaining reasonable debt service expenses.

Open Recommendations to Agencies

The Chairman of the Federal Farm Credit Board should require the banks in the system to develop and collectively implement a plan to reduce the interest rate exposure of the system. The plan should consider all assets and liabilities systemwide, not the financial position of the individual banks.

Status: Action not yet initiated. The Farm Credit Board has taken steps to manage and control interest rate risk.

Import-Export Issues

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

NSIAD-85-74, 06/18/85

Background

GAO assessed the Department of Agriculture's (USDA) and the Department of Transportation's (DOT) Maritime Administration's (MARAD) management of the expenditure of U.S. funds for ocean transportation of agricultural commodities pursuant to Public Law (P.L.) 480, title I. This law authorizes the President to enter into agreements with friendly countries for the sale of the commodities under favorable financing terms. Because the United States finances the sales, regulations require that at least 50 percent of the commodities be transported by privately owned U.S. flag vessels. GAO reviewed purchase authorizations exceeding \$1 million and rate calculations for vessels transporting commodities under these authorizations.

Findings

GAO found significant problems that indicate that USDA may be paying higher ocean freight differentials than necessary. USDA control over the bidding and negotiation process for ocean transportation contracts is inadequate because foreign countries: (1) use closed bids which may be submitted late or are based on knowledge of submitted bids; (2) may negotiate with any preferred vessel owner, which does not ensure the lowest possible rates; and (3) may serve as vessel brokers, which can lead to favoritism in rate negotiations. USDA is responsible for complying with cargo preference requirements, approving foreign vessel selections, and calculating ocean freight differentials; however, it does not consistently follow the standard provision for calculating differentials or may apply the standard in a manner that reduces costs

to foreign countries at the expense of higher USDA payments. GAO also found that MARAD does not verify data used in calculating guideline rates because it assumes that vessels return to the United States without cargo. However, evidence suggests that vessels may carry cargo on the return voyage, which allows them the potential to earn excessive profits. Additionally, MARAD has not prepared guidelines for liners because of the difficulty in separating revenues; therefore, it does not know whether transportation rates for liners represent cost plus a reasonable profit.

Open Recommendations to Agencies

The Secretary of Agriculture should require publicly opened transportation offers. The offered transportation rates must be firm and nonnegotiable, and awards should be consistent with open, competitive, and responsive bid procedures. USDA should provide an observer for transportation bid openings, as it does for commodity bids.

Status: Action not yet initiated. On February 10, 1986, MARAD issued a notice in the Federal Register proposing a method for determining fair and reasonable rates for shipments of dry bulk preference cargo on U.S. flag liners. USDA action is contingent upon completion of this rulemaking procedure and implementation of the method by MARAD. As of October 10, 1986, a draft of the final rule was under review within MARAD.

The Secretary of Agriculture should establish a clear policy to minimize

USDA transportation expenditures consistent with cargo preference requirements.

Status: Recommendation valid/action not intended. USDA stated that its policy is to minimize the cost of providing both commodity and transportation financing, consistent with the purposes of the P.L. 480, title I program and the requirements of the Cargo Preference Act. Verification of the USDA statement would require future audit.

The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to revise and implement program regulations on the basis of this policy. The Service should emphasize cost reductions in the problem areas identified by GAO: (1) computation of ocean freight differentials; (2) allocation of cargo; (3) shipment on the basis of lowest landed cost; (4) requirement for demurrage and despatch; and (5) elimination of unnecessary restrictive tender terms.

Status: Action taken not fully responsive. In its original comments and letter, September 11, 1985, USDA referred to changes made in purchase authorization requirements to address the cited problems. However, USDA has not indicated any intent to revise the program regulations.

The Secretary of Transportation should direct the Administrator, MARAD, to devise and institute a method for assessing whether transportation rates for liners represent cost plus a reasonable profit. Also, vessel owners should be required to have their independent accountants semiannually certify that

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vessel costs and operating data are accurate.

Status: Action in process. DOT: (1) initiated a methodology and regulation for calculating rates on U.S. flag vessels; (2) issued a proposed regulation for calculating rates for full cargo shipments; (3) requested that vessel owners provide a certified listing of actual costs of voyages; and (4) proposed a regulation for calculating reasonable rates

for dry bulk cargo shipment on U.S. flag liners.

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

Status: Action in process. DOT: (1) proposed a regulation providing for recalculation of rates if a vessel is scrapped or sold overseas; (2) intends to recalculate rates if returning U.S. vessels carry other preference cargo; (3) plans to analyze the feasibility of adjusting rates for commercial, non-preference cargo; and (4) proposed a regulation for calculating rates for liner cargo.

Automatic Data Processing

SSA Data Communications Contracts With Paradyne Corporation Demonstrate the Need for Improved Management Controls

IMTEC-84-15, 07/09/84

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) two contracts with the Paradyne Corporation for improving the agency's data communications network.

Findings

The SSA terminal replacement contract with Paradyne was the largest in the agency's history. The first contract, valued at about \$115 million, required Paradyne to install leased terminals in SSA offices nationwide for records management. The second sole-source contract award, valued at more than \$2.5 million, called for Paradyne to enhance the data transmission capabilities of its terminals. This contract was terminated for the convenience of the government. GAO found that management weaknesses caused the acquisition of a data communications system that did not begin to meet contractual performance

requirements until 2 years after contract award. Furthermore, the system is still experiencing a high equipment failure rate. A 1982 purchase of some leased terminals and the sole-source award demonstrated inherent flaws in the systems procurement management structure of the agency, such as: (1) internal control deficiencies resulting from a realignment of the responsible SSA office; and (2) inadequate oversight of the procurement by the Department of Health and Human Services (HHS). Until corrected, these problems will continue to threaten the integrity of the SSA systems procurement process. These problems will affect a proposed purchase of the remaining leased Paradyne terminals and an upcoming acquisition of new terminals.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the

Commissioner of Social Security to ensure that the poor procurement practices used on the Paradyne acquisitions are not repeated on the upcoming 17,000-plus terminal procurement by: (1) closely reviewing the validity of the procurement justification; (2) performing an independent, in-depth review of the technical specifications contained in the pending solicitation to ensure that they include unambiguous and work-load-specific criteria for measuring vendor equipment performance during preaward and acceptance testing; and (3) using appropriately stringent performance validation techniques in conducting preaward and acceptance tests.

Status: Action in process. GAO is currently reviewing SSA procurement practices such as justifications, adequacy of reviews, and validation techniques in regard to the acquisition of the 17,000 terminals.

OMB Needs To More Fully Consider Government-Wide Implications in Its Telecommunications Initiatives

IMTEC-84-21, 09/07/84

Background

Pursuant to a congressional request, GAO determined whether the Office of Management and Budget (OMB) has: (1) developed an overall telecommunications plan and policy; and (2) conducted studies, including cost/benefit analyses, on the impact of the American

Telephone and Telegraph divestiture on government telecommunications operations. OMB is planning to permit agencies to acquire long-distance telecommunications service independently instead of using the centralized Federal Telecommunications System (FTS). GAO also ascertained the effect that the OMB initiative would have

on H.R. 2718 and S. 2433, proposals to create an Information Technology (IT) Fund.

Findings

GAO found that, although OMB has made progress in carrying out its telecommunications responsibilities

under the Paperwork Reduction Act, it is not placing enough emphasis on the governmentwide implications of its actions and the governmentwide issues arising from the new telecommunications environment. Regarding the proposed FTS initiative, GAO believes that OMB may not be sufficiently considering: (1) the costs and benefits of the current FTS compared to a decentralized system; (2) the initiative's effect on the proposed IT Fund; and (3) the national security and staffing implications of a decentralized system. GAO also noted that the initiative's effect on the proposed legislation would make additional funds available to cover the cost of equipment and services for FTS by increasing the General Services

Administration's flexibility in raising capital. GAO concluded that the FTS initiative could result in reduced funding for the proposed IT fund.

Open Recommendations to Agencies

The Director, OMB, should direct the Office of Information and Regulatory Affairs (OIRA) to delay implementation of the FTS initiative until guidance and methodologies are developed to examine such issues as the cost benefits of a centralized versus a decentralized system, various strategies for

maximizing federal response to national emergencies, and staffing implications of agency-by-agency telecommunications management versus a consolidated management system.

Status: Action in process. OMB feels that a major reassessment is needed of how the government's telecommunications needs are met. OMB agreed that criteria for comparing FTS to other alternatives must be developed and indicated that it would address and analyze cost, management, emergency preparedness, and national security issues.

Effective Management of Computer Leasing Needed To Reduce Government Costs

IMTEC-85-3, 03/21/85

Background

GAO reported on its examination of federal departments' and agencies' computer leasing practices.

Findings

GAO found that federal agencies spent about \$1.1 billion to lease automatic data processing (ADP) equipment in fiscal year 1983. Among the leases that GAO analyzed, costs could have been reduced for up to 90 percent of the components by employing one or more of the available refinancing alternatives. Lease costs can also be reduced by exercising contract options which change a straight lease to a lease plan that would result in ownership. Data processing managers at the civilian and defense installations GAO visited had not identified or pursued refinancing alternatives because they lacked the specific management procedures and monetary control policies essential to

such operations. Further, agency managers and officials were generally uninformed about certain alternatives. GAO also noted that the General Services Administration (GSA) and the Office of Management and Budget (OMB) have not provided agencies the funding support needed for such unbudgeted purchase opportunities.

Open Recommendations to Congress

Congress, when considering future requests to increase the ADP Fund for opportunity buys, should specify that the funds be used exclusively for taking advantage of cost-effective opportunities to buy equipment.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of General Services should issue regulations requiring all agencies to: (1) perform routine, periodic analyses of computer leases; (2) compare the costs of available refinancing alternatives; and (3) select the most reasonable, cost-effective alternative.

Status: Action in process. GSA instituted rulemaking to change the federal information resource management regulation.

The heads of federal civilian agencies with substantial leasing volume should, to ensure that federal departments and agencies take maximum practical advantage of available refinancing alternatives, require data processing managers to conduct a cost-effectiveness analysis of all existing leases and develop a plan to employ, where appropriate, the refinancing alternatives described in this report.

Status: Action in process. Comments indicate that agency heads directed the evaluations.

The Director, OMB, should require agency heads to confirm, with each annual budget submission, that all of their computer leases have been evaluated for cost-effectiveness and that such leases have been contracted at the most reasonable cost alternative available to the government.

Status: Recommendation valid/action not intended. OMB indicated that it is considering changing information systems guidance to accomplish the intent of this recommendation. This recommendation should remain open until action is completed and evaluated.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should issue guidelines for agencies in seeking third-party competition and, specifically, in transacting sale/leasebacks.

Status: Action in process. GSA instituted rulemaking to change FIRMR.

The Director, OMB, should allow agencies to make greater use of the ADP

Fund to purchase equipment currently leased uneconomically.

Status: Recommendation valid/action not intended. OMB does not agree with this recommendation and stated that it does not intend to take action.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should identify and revise, where it will enhance competition and be otherwise appropriate, those federal contracting practices that the third-party industry believes act as major business impediments.

Status: Action in process. GSA instituted a pilot project using changed lease terms. An evaluation is pending.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should institute controls to ensure that the capital in the ADP Fund authorized for opportunity buys is available and used for that purpose unless it can justify to OMB that capital reserved for opportunity buys can be used more effectively for other ADP Fund programs.

Status: Action in process. GSA is writing internal guidance on the use of the ADP Fund and is determining appropriate funding levels to request.

The heads of federal civilian agencies with substantial leasing volume should, to ensure that federal departments and agencies take maximum practical advantage of available refinancing alternatives, require data processing managers to correct computer equipment inventory and accounting records and maintain them accurately to enable the recurring analysis of computer leases.

Status: Action in process. Agency heads stated that they directed that these actions be taken.

The Director, OMB, should work with GSA and other federal agencies to determine and request an appropriate level of funding in the ADP Fund to buy out uneconomical leases.

Status: Recommendation valid/action not intended. OMB does not believe that an increase in the Fund is appropriate at this time and stated that it plans no action.

Patent and Trademark Office Needs To Better Manage Automation of Its Trademark Operations

IMTEC-85-8, 04/19/85

Background

GAO reviewed the automation of trademark operations at the Department of Commerce Patent and Trademark Office (PTO), focusing on: (1) system user requirements; (2) a 1982 trademark automation cost/benefit analysis; and (3) contracting practices and pro-

cedures for acquiring the automated trademark systems.

Findings

GAO found that, in its 1982 Automation Master Plan, PTO established major goals for its trademark automation system that included improved registration quality, cost-

effectiveness, and reduced application processing time. PTO acquired its automatic data processing (ADP) services and equipment through monetary procurements; however, it acquired the associated data bases through nonmonetary arrangements, called exchange agreements, with firms that provide trademark-related services. Management problems have hindered

not: (1) thoroughly analyze or develop the functional requirements for the use of its three automated systems; (2) adequately assess the costs and benefits of the automated systems; (3) properly manage the three systems; and (4) fully test the search and retrieval system before accepting it from the contractor. Although PTO has attempted to correct some problems through exchange agreement renegotiation, GAO is concerned that PTO may choose to execute future exchange agreements without complying with applicable procurement regulations and, therefore, evade the procedures designed to ensure maximum competitiveness and cost-effectiveness in its procurement actions.

Open Recommendations to Congress

If PTO does not take steps to implement the recommendations regarding exchange agreements, Congress should consider withdrawing the PTO exchange agreement authority for ADP resource acquisitions.

Status: Action in process.

Open Recommendations to Agencies

To help ensure that automation goals and appropriate procurement practices are met, the Secretary of Commerce should direct the Acting Commissioner of Patents and Trademarks to make all reasonable efforts to expeditiously and economically acquire unrestricted ownership of the trademark data bases obtained through the exchange agreements.

Status: Action in process. Commerce indicated that it plans to implement the exchange agreement recommendations.

To ensure appropriate oversight, the Secretary of Commerce should review and approve PTO responses to the recommendations regarding exchange agreements to ensure that they are properly implemented.

Status: Action in process. Commerce indicated that it plans to implement the exchange agreement recommendations.

Until he is satisfied that PTO has appropriately reanalyzed the costs and benefits of the PTO trademark

automation and reviewed the system's specifications, the Secretary of Commerce should also require that any significant procurement actions regarding trademark automation efforts, including new procurements as well as modifications to or renewals of existing procurements, undergo departmental review and approval. This should include exchange agreement procurements.

Status: Action in process. Commerce indicated that it plans to implement the exchange agreement recommendations. In addition, the Office of the Secretary is monitoring PTO automation procurements.

The Secretary of Commerce should direct PTO to maintain its manual trademark system until the capabilities of its automated systems are at least equal to the manual system.

Status: Action in process. PTO will maintain its paper files in 1986 and has requested funds to maintain them for 1987. Commerce stated that the paper files will be maintained until the user fee issue is resolved.

Social Security Administration's Progress in Modernizing Its Computer Operations

IMTEC-85-15, 08/30/85

Background

Pursuant to a congressional request, GAO reported on the Social Security Administration's (SSA) computer system's flexibility to handle legislative changes promptly and efficiently and its security. There were also concerns about: (1) a shift in emphasis and direction in the SSA Systems Modernization Plan (SMP); (2) whether the existing

system was adequately documented to permit development of an improved new system; and (3) SSA failure to assign personal identification numbers to trace particular transactions. In addition, GAO investigated SSA implementation of the 1099 reporting requirement, which requires issuance of reports to beneficiaries and to the Internal Revenue Service on SSA payments to beneficiaries, as a test of the system's legislative flexibility.

Findings

GAO found that: (1) SSA has made significant progress in improving its hardware deficiencies through its acquisition of new computers and the conversion of its data files from tape to disk; (2) the goals of modernizing data communications and data base management have been delayed; (3) SSA has not made sufficient progress in improving its software; (4) the

1999 implementation, although completed on time, required SSA to create a new system and only partially demonstrated improvement in its capability to respond to legislative changes requiring modifications to existing systems; and (5) SSA automated systems remained vulnerable to fraud, even though improvements were made. GAO also found that there was a significant redirection in the SSA approach to software improvement because: (1) it initiated system redesign efforts before completing software standards and improvements; and (2) it decided not to fully document all existing software programs because of resource limitations and other higher priority work. GAO believes that this approach could be risky and could result in continued inadequate responses to legislative changes. GAO also believes that SSA will not achieve the desired legislative flexibility until effective implementation of the software program is completed.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct SSA to conduct a comprehensive risk analysis of the 1985 changes made in the SMP soft-

ware engineering program. Such an analysis should: (1) include a discussion about how this redirection will improve the SSA ability to more timely and efficiently complete the SMP software program; and (2) address the possible risks associated with diverting resources away from documenting and improving existing systems and with taking a less structured approach to software development.

Status: Action taken not fully responsive. SSA responded that a risk analysis of its new approach is unnecessary since its modified approach is minor in impact and because the Senate Appropriations Committee required a risk analysis only if the SSA approach to software modernization was substantially modified. GAO is continuing to analyze the SSA response and software development approach in a current GAO review for the Committee.

The Secretary of Health and Human Services should direct SSA to implement an audit trail capability in the current operation system that identifies authorizers for all transactions. Further, the system developed to meet this requirement should provide feedback through which transaction authorizers are informed, after transactions have been entered into the system, of all transactions attributed to

their personal identification numbers. Finally, those authorizers should be required to certify the accuracy of any transactions attributed to their personal identification number.

Status: Action taken not fully responsive. SSA has responded that it will not implement this recommendation due to resource limitations since future system features, currently under review by GAO, will be responsive to this need.

The Secretary of Health and Human Services should direct SSA to promptly report to the Committee: (1) the results of the SSA risk analysis; and (2) progress on implementing an audit trail.

Status: Action taken not fully responsive. The Committee requested that SSA do a risk analysis unless it returns to the approach outlined in the 1982 plan. SSA stated that this was not needed because it was following the 1982 plan. GAO does not concur with the SSA position, based on IMTEC-85-16 and work scheduled for completion in the immediate future. SSA deviated in many significant areas from the intent of the original plan.

Social Security Administration's Computer Systems Modernization Effort May Not Achieve Planned Objectives

IMTEC-85-16, 09/30/85

Background

Pursuant to a congressional request, GAO reviewed the Social Security Administration's (SSA) implementation of the Systems Modernization Plan (SMP).

Findings

GAO found that: (1) although SSA had made some progress in implementing the plan, it had not fulfilled the plan's initial objectives to upgrade existing software; (2) improvements in three of the four modernization plan programs increased system capacity,

improved response time, and enhanced data access; (3) progress in software engineering was seriously behind schedule; (4) software development standards were incomplete because of inadequate management attention and staff constraints; and (5) important software improvement projects have been delayed or cancelled because software

standards were incomplete. GAO also found that: (1) SSA shifted its emphasis to building new systems instead of first developing a proper software environment and improving its existing systems; (2) there was no proper foundation for software redesign projects without a software upgrade in place; (3) the current data base architecture concept called for technology beyond the state-of-the-art and ultimately delayed the plan's implementation; (4) there was a lack of effective planning, control, and monitoring of system projects; (5) SSA did not effectively use some contractor products, which contributed to the contract's cost increasing from \$6 million to over \$22 million; and (6) SSA personnel resources constraints adversely affected the software upgrade activities.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct SSA to complete the survival and transition phases contained in the 1982 plan, adhering to the phased approach and sequencing of tasks. Specific attention should be given to establishing the software engineering environment, proceeding with software improvement and redesign tasks by: (1) improving the guidance in its software engineering technology to explain more fully procedures and standards for improving and developing systems; (2) implementing a quality-monitoring mechanism to ensure that the Software Engineering Technology Manual is properly followed; and (3) performing software improvements, including documentation of existing systems to define system requirements. These sys-

tem requirements should be used to support the software redesign efforts.

Status: Action in process. SSA expanded its Software Engineering Technology and has a draft out for comment. There is no quality assurance function in place for enforcement of standards and SSA is performing limited documentation on existing software applications.

The Secretary of Health and Human Services should direct SSA to conduct a comprehensive risk analysis of the data base architecture concept for the Data Base Integration Program. This analysis should include: (1) whether the current concept represents a state-of-the-art system; (2) the probability of the concept's success and related time frames for its completion; and (3) the risks associated with accomplishing software system redesign prior to establishing the data base architecture.

Status: Action taken not fully responsive. SSA disagreed with this recommendation. It asserted that it completed these actions in 1983. SSA noted that software was not available on the open market at the time of the GAO report; however, it decided to make greater use of commercially available software.

The Secretary of Health and Human Services should direct SSA to ensure that the task to procure and implement a nationwide communications network is coordinated with system software redesign projects to avoid developing ineffective software for the Data Communications Utility Program.

Status: Action taken not fully responsive. SSA asserted that it is complying with this recommendation, but it could not provide any specific analyses as evidence. Further, in another GAO report, GAO identified weaknesses in data communications utility procurement, such as not fully considering all functional requirements of the system prior to procuring data communications equipment.

To improve the overall management of the modernization plan, the Secretary of Health and Human Services should direct SSA to develop an action plan for correcting the management deficiencies that currently exist in the plan's integration efforts. This plan should address ways to more effectively monitor and control activities among the programs within the modernization plan.

Status: Action in process. SSA presently has a request for proposals out for integration and management services.

The Secretary of Health and Human Services should direct SSA to report to Congress on the detailed strategies and plans to the revised systems modernization approaches and the results of the data base architecture risk analysis.

Status: Action in process. SSA reports to Congress frequently. Each year Congress receives copies of the SMP update, which include detailed strategies and plans to revise SMP. SSA has not completed a risk analysis in response to this recommendation.

ADP Systems: Concerns About the Acquisition Plan for DOD's Composite Health Care System

IMTEC-86-12, 03/31/86

Background

As required by the Department of Defense (DOD) Authorization Act of 1986, GAO evaluated the DOD methodology and acquisition strategy for selecting and awarding Composite Health Care System (CHCS) contracts.

Findings

GAO found that, although DOD has implemented a sound methodology for selecting first-stage vendors to compete for CHCS contracts, there are other aspects of its acquisition strategy that could limit the program's success, namely that: (1) the extended CHCS benchmark test was incomplete and did not include many complex functional requirements; (2) DOD will award the final contract before the selected vendor demonstrates whether the proposed system can function in a military hospital; and (3) DOD will not study all essential site preparation and hardware equipment requirements until after the final award. GAO also found that: (1) under the CHCS benchmark test plan, DOD did not adequately evaluate whether critical functions could be successfully integrated; (2) although DOD believes that it will not be difficult or costly to develop the remaining requirements, thorough system testing is imperative before final production begins or vendor selection is made; (3) even though the extended benchmark test (EBT) must be passed before CHCS software is deployed, CHCS hardware deployment is not contingent upon the successful completion of the benchmark test; (4) DOD chose the current test approach and proposed CHCS contract award strategy to maintain a rapid deployment schedule; (5) DOD did not modify CHCS requirements to reflect

valid system changes that could have affected the function and cost of CHCS; and (6) the information DOD provided prospective vendors for use in their proposed system designs may have resulted in erroneous estimates.

Open Recommendations to Agencies

To ensure that the CHCS acquisition selection process identifies the true capabilities of competing vendors and results in the development of a comprehensive medical ADP system that meets user needs at a reasonable cost, the Secretary of Defense should award the CHCS extended benchmark test contract only after the deficiencies are addressed. Specifically, DOD should: (1) analyze valid existing system-change requests to determine their impact on CHCS vendor designs; (2) incorporate critical changes into the CHCS specifications being addressed during EBT; and (3) require that these changes be addressed.

Status: Action in process. DOD concurred with this recommendation. It agreed to and reviewed the process used to select capabilities for inclusion in EBT to ensure EBT includes all the high-risk capabilities of CHCS and adequately tests the CHCS integrated capabilities necessary to support MTF.

To ensure that the CHCS acquisition selection process identifies the true capabilities of competing vendors and results in the development of a comprehensive medical ADP system that meets user needs at a reasonable cost, the Secretary of Defense should award

the CHCS EBT contract only after deficiencies are addressed. Specifically, DOD should modify the CHCS request for proposals to require the winning vendor to successfully demonstrate the CHCS design in one or more military hospitals before DOD awards the full-production contract.

Status: Action in process. DOD concurred with this recommendation. It agreed to and reviewed the process used to select capabilities for inclusion in EBT to ensure EBT includes all the high-risk capabilities of CHCS and adequately tests CHCS integrated capabilities necessary to support MTF.

To ensure that the CHCS acquisition selection process identifies the true capabilities of competing vendors and results in the development of a comprehensive medical ADP system that meets user needs at a reasonable cost, the Secretary of Defense should award the CHCS EBT contract only after deficiencies are addressed. Specifically, DOD should validate system-sizing data to ensure that the data accurately reflect current needs and operating conditions found in the varying size hospitals existing within each class of medical treatment facility and provide any necessary revisions to CHCS offerers.

Status: Action in process. DOD concurred with this recommendation. It agreed to and reviewed the process used to select capabilities for inclusion in EBT to ensure EBT includes all the high-risk capabilities of CHCS and adequately tests CHCS integrated capabilities necessary to support MTF.

Computer Buys: Air Force Logistics Modernization Program Should Comply With Brooks Act

IMTEC-86-16, 05/15/86

Background

GAO reviewed the procedures the Air Force Logistics Command followed in procuring computer equipment and services for its Requirements Data Bank Program, which was designed to update automated logistics systems that support Air Force activities.

Findings

GAO found that the Air Force is not complying with the Brooks Act, which requires federal agencies to procure computer equipment through the General Services Administration (GSA). The Air Force does not believe that the program and other components of its Logistics Management Systems Modernization Program are subject to the act's requirements because it believes that the programs are covered by an amendment to the Armed Services Procurement Act. That amendment exempts certain mission-critical, intelligence- or security-related equipment, and weapons systems from the Brooks Act. GAO believes that the amendment does not cover inventory control, storage depot, base-

level, and other logistics systems. The Department of Defense (DOD) has issued guidance distinguishing between those logistics systems designed for administrative and business applications and those designed to meet mission-critical requirements. GAO also found that: (1) it had previously designated the Logistics Management Systems Modernization Program as subject to the Brooks Act; and (2) since the Requirements Data Bank Program is not involved in mission-critical or wartime-decisionmaking activities, it is subject to the Brooks Act.

Open Recommendations to Agencies

The Secretary of Defense should revise the "DOD-Wide Guidance for Acquiring Mission Critical Computer Resources Under 10 U.S.C. 2315 (Armed Services Procurement Act)" to be more explicit in defining functional classifications and applications that are exempted by the Warner Amendment.

Status: Action not yet initiated. DOD sent an interim reply on July 21, 1986, stating that its final reply was not fully formulated, but would be sent when complete.

The Secretary of Defense should direct the Secretary of the Air Force to submit an agency procurement request for the Requirements Data Bank Program to the Administrator of General Services. The Air Force should submit the request before carrying out the next contract option for additional computer equipment and services. For the other programs in the Air Force's Logistics Management Systems Modernization Program, the Secretary of Defense should direct the Secretary of the Air Force to submit an agency procurement request before taking any further procurement actions.

Status: Action not yet initiated. DOD sent an interim reply on July 21, 1986, stating that its final reply was not fully formulated, but would be sent when complete.

SBA Needs To Strengthen Management of Its Computer Systems

IMTEC-86-28, 08/29/86

Background

In response to a congressional request, GAO reviewed the Small Business Administration's (SBA) automated systems and information resources management (IRM) activities to determine whether: (1) they assist its regional and district offices in carrying out the agency's major programs; and (2) they are adequate, appropriate, and effective.

Findings

GAO found that: (1) SBA did not systematically involve field offices in the design and development of six primary automated systems that supported major programs; (2) SBA did not have an ongoing review process for field users to identify and report system problems after systems became operational; and (3) certain systems produced inaccurate and untimely reports, did not provide access to some data in the central systems, or lacked information the field offices required to better manage agency programs. GAO also found that SBA: (1) did not formalize its data processing planning or adequately include field-office users and top management in this process; (2) lacked contractor performance measures and cost controls in its data processing contracts; (3) supervised contractor personnel in 15 data processing contracts in fiscal year 1985, contrary to federal regulations; (4) acquired a minicomputer through unsound purchase practices and without sufficient procurement and legal staff review; and (5) did not have independent, internal reviews to ensure that systems were well-designed or were working properly.

Open Recommendations to Agencies

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should implement policies and procedures to require user participation during the design, review, and operation of automated systems. These procedures should ensure that user needs are addressed during the design stages, and system effectiveness is evaluated through regular post-implementation reviews after the system becomes operational.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should establish a comprehensive planning process for information resources. It should require program and field offices to identify information requirements, including the potential costs and benefits. The resulting plan, based on consolidated, agency-wide requirements, should establish objectives, strategies, and priorities for meeting the information requirements. Top management should be actively involved in reviewing and approving the plan.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should strengthen contracting procedures for software development, operations, and general programming and technical support contracts to allow SBA to adequately monitor contractor performance. At a minimum, such procedures should require contract managers to use detailed statements of work or written task orders that set forth cost estimates, time frames, and specifications for contract deliverables.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should insert provisions in current and new contracts to comply with federal regulations covering personal services contracts. These provisions should require contractors to supervise their own personnel.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should strengthen the management of data processing acquisitions by establishing written policies and guidelines requiring procurement and legal representatives to more actively review and participate in

all phases of the procurement process, including the requirements determination and contract modification phases.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should provide the Office of the Inspector General with the resources needed to place more emphasis on reviews of IRM activities, including reviews of general and application

controls of automated systems under development and in operation.

Status: Action not yet initiated. SBA has not responded to the requirements of 31 U.S.C. nor to GAO on actions taken.

Commerce and Housing Credit

Mortgage Credit and Thrift Insurance Debentures Not Serving Purposes HUD Intended— Legislative Changes Could Help Increase Effectiveness and Minimize Interest Costs

RCED-85-38, 03/13/85

Background

GAO evaluated the provisions of the National Housing Act of 1934 which authorized the Department of Housing and Urban Development (HUD) to accept long-term, low-interest debentures instead of cash as payment for mortgage insurance premiums. GAO focused its review on: (1) the impact of redemption of debentures before they reach maturity as payment for mortgage insurance premiums; and (2) helping HUD improve program management and Congress decide whether amendments to the act, with respect to the debentures, are warranted.

Findings

GAO found that the provisions of the act which allow the redemption of debentures before maturity could create a need for increased appropriations, a need for Treasury borrowing, or the loss of any HUD opportunity to earn

interest on mortgage insurance premiums paid in cash rather than in debentures. GAO found that: (1) about 95 percent of all debentures redeemed during the 5 years ending September 30, 1982, were used to pay mortgage insurance premiums; (2) debentures were used to pay almost 15 percent of the premiums collected during the same period; and (3) debentures with a 20-year maturity date are redeemed on the average in about 7 years. Because HUD may not have reserves available in its insurance funds at the time debentures are redeemed, early redemptions can lead to borrowing from the Treasury, and Treasury borrowing rates have been historically higher than rates carried by debentures being redeemed. Consequently, when HUD has to borrow money at interest rates higher than the rates on the debentures being redeemed, higher interest costs are incurred. In 1982, HUD proposed that its authorization bill include a provision to eliminate the statutory

requirement allowing debentures to be redeemed at face value in exchange for mortgage insurance premium payments; however, the legislation was not enacted. Finally, most mortgage lending institutions which GAO contacted said that the mortgage insurance premium redemption feature provides no particular incentive for investing in programs which pay in debentures.

Open Recommendations to Congress

Congress should amend the National Housing Act to provide the Secretary, HUD, with the authority to redeem debentures prior to maturity at less than face value in order to adjust for variations between debenture interest rates and Treasury borrowing rates.

Status: Action not yet initiated.

Other Advancement of Commerce

Federal Communications Commission Can Further Improve Its Licensing Activities

RCED-83-90, 04/26/83

Background

In response to a congressional request, GAO reviewed the Federal Communication Commission's (FCC) processing of applications for new common carrier, broadcast, and private radio licenses to identify changes to make these operations more efficient and productive.

Findings

As a result of continued technological improvements and an increasing demand for communications services, the FCC application processing work load has increased and is likely to continue to increase. Congress has noted that, while FCC has tried to improve

license processing speeds, it still takes too long to get a license.

Open Recommendations to Congress

If Congress determines that competition in the telecommunications markets

has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should amend section 309(d) of the Communications Act of 1934, as it pertains to applications for new station licenses to require that FCC not accept petitions to deny based on allegations of economic injury to existing licensees, as well as other allegations unrelated to technical interference issues.

Status: Action not yet initiated.

If Congress determines that competition in telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should repeal the provisions of section 307(b), which requires FCC to distribute licenses among states and communities, so as to provide a fair, efficient, and equitable distribution of radio service, but which may no longer be necessary in a competitive market.

Status: Action not yet initiated.

Congress, to overcome the delay caused by mutually exclusive applications, may want to consider authorizing FCC to use a licensing procedure in which a license would be granted to the first qualified applicant who applied.

Status: Action not yet initiated.

Other Advancement of Commerce

SEC's Efforts To Find Lost and Stolen Securities

GGD-84-42, 05/18/84

Background

The Securities and Exchange Commission (SEC) maintains a program to find securities, such as stocks and bonds, that financial institutions and their customers report as lost or missing. GAO reviewed the SEC program to determine its effectiveness in finding such securities.

Findings

SEC requires financial institutions to register under the program. Registration entitles institutions to report lost or stolen securities and check securities they receive in commercial transactions. GAO found that: (1) the number of securities recovered through the program has increased since its inception, but SEC has not accurately reported the dollar value of securities actually found through the program; and (2) SEC has exempted from the program securities that do not have industry identification numbers, and certain securities that were formerly reported to Federal Reserve Banks are no longer reported to either the Federal Reserve or SEC. GAO also found that: (1) financial institutions are not complying with reporting requirements under the program; and (2) SEC has not coordinated its program with

the National Crime Information Center (NCIC), which also lists lost and stolen securities.

Open Recommendations to Agencies

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should require that lost or stolen securities formerly required to be reported to the Federal Reserve Banks be reported to the SEC program.

Status: Action in process. The SEC proposed amendments to Rule 17f-1 are expected to be adopted in the spring of 1987. When the amendments are adopted, this recommendation will be fully implemented.

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should assess the effect of the underreporting of lost and stolen securities without a securities industry identification number and, if warranted, direct the program operator to assign identification numbers to these securities.

Status: Action in process. SEC, on a pilot basis, is allowing participants to report and inquire about non-CUSIP securities on a voluntary basis. Proposed amendments to Rule 17f-1 will require mandatory reporting and inquiries.

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should develop a pilot program to assess whether the \$10,000 or less transaction exemption should be continued, weighing the regulatory compliance burden against the improvement in securities found for financial institution customers, as well as the decreased deterrent effects.

Status: Action in process. SEC requested public comments on its proposed changes to the program that would incorporate many of the GAO recommendations. Based on comments received from the public and the industry, SEC is considering retaining the \$10,000 transaction exemption. Commentators thought the associated costs and benefits did not warrant changing the exemption.

Other Advancement of Commerce

Patent Automation Encountering Major Planning and Procurement Problems

IMTEC-86-19, 07/17/86

Background

Pursuant to a congressional request, GAO reviewed selected aspects of the Department of Commerce's Patent and Trademark Office (PTO) Automated Patent System.

Findings

GAO found that: (1) Commerce did not adequately oversee the program during the planning stage and spent millions of dollars with little assurance that it was implementing the best alternative for operational improvements or that the benefits were exceeding the costs; (2) since PTO did not complete the required space management study, the final system configuration remains uncertain and PTO cannot reliably estimate the cost, schedule, and ultimate system capabilities; (3) Commerce awarded a cost-plus-fixed-fee contract for the system's design, development, implementation and maintenance, which was inappropriate and inconsistent with federal regulations because it contained few contractor cost-control incentives; (4) since PTO altered the implementation plans without making corresponding changes in the prime contract, it did not have an accurate basis to judge contractor performance; and (5) Commerce and PTO decided not to establish needed agency oversight at the contractor's facility to monitor the contract, despite recent reports of accounting system problems, contract costs escalating from \$159 million to \$448 million, and actual schedule slippage. GAO believes that the method PTO is using to automate patent activities has serious weaknesses that increase the risk of acquiring a system that will not efficiently achieve automation goals.

Open Recommendations to Agencies

The Secretary of Commerce should reassess the direction and scope of the automated patent system to ensure that the best alternative for meeting program objectives is being pursued, automation benefits will exceed costs, and the planned system can be effectively and efficiently installed in PTO facilities to achieve maximum benefits. Furthermore, the Secretary should not allocate additional funds to the automated patent system contract until the reassessment is completed and the Secretary has determined the best approach to follow and appropriately reported the reassessment results and planned actions to Congress.

Status: Action taken not fully responsive. Commerce intends to continue to develop the automated patent system for at least 1 more year without addressing the planning deficiencies cited in the report. Commerce believed that it would be most effective to conduct a reassessment after the system has been evaluated. It disagreed with the recommendation to not allocate additional funds to the automated patent system contract.

In reassessing this program, the Secretary of Commerce should follow applicable federal guidance, including the Federal Information Resources Management Regulation, and at a minimum should: (1) establish management controls and quantifiable measures to gauge program effectiveness; (2) identify and develop alternatives for meeting PTO program objectives with a compar-

ative analysis that can be used to select the most cost-effective alternative; (3) thoroughly support and document all appropriate costs and benefits associated with each alternative, as indicated by Federal Information Processing Standards Publication 64; and (4) ensure that an appropriate space management analysis is adequately and expeditiously implemented.

Status: Action taken not fully responsive. Commerce's action is not fully responsive because it does not plan to conduct any kind of reassessment until the system tested is evaluated in the summer of 1987.

To help ensure that the reassessment is appropriately conducted, the Secretary of Commerce should assign responsibility for the reassessment to the Assistant Secretary for Administration, the designated senior department official for information resources management. Furthermore, this official should use the National Bureau of Standards and obtain other independent reviews as necessary to ensure that: (1) the reassessment is properly conducted and that the system includes only components with acceptable risk of cost-effective implementation; and (2) other critical issues, such as a thorough test of all critical components, are appropriately addressed.

Status: Action taken not fully responsive. Commerce's action is not fully responsive because it does not plan to conduct a reassessment until the summer of 1987.

Following the reassessment, the Secretary of Commerce should deter-

mine the most appropriate acquisition strategy to mitigate the government's risk. As part of this determination, the Secretary must ensure that contractual arrangements reduce the risk currently imposed on the government, particularly for implementation and maintenance activities. In addition, all future acquisitions should involve competitive procurements with fixed-price contracts to the maximum extent possible.

Status: Action taken not fully responsive. Commerce plans to negotiate a modification to the existing system

contract by mid-February 1987. The elements of this modification appears to more fully comply with federal regulations and guidelines on acquiring automatic data processing (ADP) systems. However, the ultimate success of this approach is uncertain because the contractor may be unwilling to negotiate.

Because of Congress' initial mandate for an automation plan and the magnitude of the planned expenditures, the Secretary should report on the results

of the reassessment and on planned actions to the House Committee on Government Operations, the Senate Committee on Governmental Affairs, and the House and Senate Committees on the Judiciary and Appropriations before he acts on the reassessment.

Status: Action taken not fully responsive. Commerce's actions are not fully responsive because the reassessment will not occur until the summer of 1987.

Postal Service

Opportunities To Improve the Postal Ratemaking Process

GGD-84-10, 04/23/84

Background

In response to a congressional request, GAO reviewed the postal ratemaking and classification processes to determine whether opportunities exist to improve them.

Findings

GAO found that, although the current ratemaking process can be lengthy, it works reasonably well. Further, GAO found that current Postal Rate Commission (PRC) procedures are appropriate for resolving mail classification cases. The ratemaking process provides interested parties with an opportunity to participate in the proceedings, develops an evidentiary record upon which rate decisions are based, and normally produces PRC recommendations to the Board of Governors for new postal rates within a reasonable time period. However, if the Board disagrees with a PRC-recommended decision, the reconsideration process may become excessively lengthy since there is no time limit set by law. Although

the U.S. Postal Service (USPS), its Board of Governors, and PRC agree that time taken for reconsiderations can be a problem, they disagree on the remedies, with PRC favoring a flexible time limit. Other problem areas involve cost procedural issues, Board use of technical assistance, USPS and PRC reporting requirements, and the consumer advocate's role.

Open Recommendations to Agencies

In order to clarify the roles of the Governors, USPS, and PRC in the ratemaking process, the Board should amend its bylaws to: (1) define the nature and scope of the Board and USPS participation in considering postal rate proposals; and (2) establish the policies and procedures the Governors will follow when considering modifications to the PRC-recommended decision.

Status: Action in process. This matter has been discussed by the Board. Bylaws have not been amended as recommended by GAO.

In order to streamline and clarify the provision and use of cost data in the rate-consideration process, the Postmaster General should direct USPS to seek informal PRC comments on proposed changes in cost procedures and special cost studies as they are being completed. If this process proves constructive, the Postmaster General should direct USPS to request periodic rulemaking proceedings from PRC to formalize the agreed upon procedures.

Status: Action not yet initiated. USPS agreed with this recommendation; however, an action date is not known. Actions being taken by PRC could make this recommendation no longer applicable. PRC is studying costing methods to be used in determining attribution for various costs.

Community and Regional Development

Community Development

Increasing HUD Effectiveness Through Improved Management

RCED-84-9, 01/10/84

Background

GAO evaluated management effectiveness at the Department of Housing and Urban Development (HUD) with the intention of identifying and analyzing management problems. GAO focused on management's performance in: (1) organizing and directing HUD; (2) planning activities and determining resource allocations; (3) executing program delivery; and (4) providing management control.

Findings

GAO found that HUD has many complex and longstanding problems and needs to: (1) improve organizational stability; (2) increase emphasis on, and accountability for, general management functions; and (3) establish continuity in HUD top management. GAO believes that HUD reliance on the budget process to direct and control HUD activity has not been an effective substitute for needed management systems. Weaknesses in the analytical base used to support the HUD budget and to monitor and analyze program activity have hampered analysis and oversight by Congress and others. Consistent problems have affected program delivery, and HUD has not fully addressed the causes of financial management problems, including inadequacies in long-range planning and the absence of a chief financial officer. In addition, HUD management information systems did not provide timely and accurate data, which were necessary to establish control over HUD programs. GAO also found that accounting systems were not adequately automated and many automated accounting systems were obsolete.

Open Recommendations to Agencies

To improve staff resources over the long term, the Secretary, HUD, should establish a staff development program linked to overall organizational planning, which will coordinate departmental efforts to forecast personnel needs.

Status: Action in process. In housing, the largest HUD program area, a study was completed which inventoried the skills of housing field staff as to how well they met present and future needs. HUD plans to expand this kind of analysis to other program areas.

To improve staff resources over the long term, the Secretary, HUD, should integrate staff needs assessments with program implementation plans.

Status: Action in process. In housing, the largest HUD program area, a study was completed which inventoried the skills of housing field staff as to how well they met present and future needs. HUD plans to expand this kind of analysis to other program areas. Training needs are assessed annually and updated on a quarterly basis.

For the short range, the Secretary, HUD, should correct internal control weaknesses and other financial management information system problems identified during this review by ensuring that: (1) the single-family premium collection system and the process for handling cash receipts and disbursements include adequate internal controls; (2) collections are placed under

immediate accounting controls; (3) sound cash management practices are followed in handling receipts and disbursements; and (4) the home improvement loan collection process is streamlined as part of the current automation effort.

Status: Action in process. The HUD Internal Control System is now in place and, according to HUD, operating smoothly. HUD is taking steps to correct internal control weaknesses as they are identified during A-123 studies.

For the long range, the Secretary, HUD, should continue efforts to restore integrity to the Department's financial management information systems by enhancing system internal controls.

Status: Action in process. According to HUD, improvements to its internal control systems are made on a continuing basis.

For the long range, the Secretary, HUD, should streamline the processes used to accomplish accounting functions.

Status: Action in process. The HUD Internal Control System is now in place and, according to the Office of Management and Budget and GAO, is one of the leaders in A-123 implementation in the federal government. HUD is continuing to improve its accounting systems.

For the long range, the Secretary, HUD, should develop accounting systems which comply with the princi-

ples and standards established by the Comptroller General. The objective of this development process should be to establish accounting systems capable of providing timely, accurate, and comprehensive information and serving as a basis for reporting on the adequacy of internal controls as required by FIA.

Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity.

For the long range, the Secretary, HUD, should enhance financial management information system improvements and future automation by establishing a long-range automatic data processing (ADP) planning and control process.

Status: Action in process. HUD believes it has made substantial

progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity.

As part of the long-range ADP planning and control process, the Secretary, HUD, should ensure that existing and proposed automated systems are necessary, feasible, and cost-effective, and that those systems which cannot perform their intended purpose in a cost-effective manner are discontinued.

Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations. HUD also believes that improving accounting operations is a continuing activity and it is in the process of reviewing all of its systems. Those not needed are to be eliminated.

As part of the long-range ADP planning and control process, the Secretary,

HUD, should ensure that user needs and administrative burdens are adequately considered during system development.

Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity.

As part of the long-range ADP planning and control process, the Secretary, HUD, should ensure that efforts to develop modern automated systems are continued.

Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity.

Community Development

Insights Into Major Urban Development Action Grant Issues

RCED-84-55, 03/05/84

Background

GAO examined the Urban Development Action Grant (UDAG) Program, focusing on: (1) the accuracy of the Department of Housing and Urban Development's (HUD) information on the results of completed projects; (2) the participation of small cities in the program; and (3) the requirements governing monies that recipient cities can generate by loaning action grant funds to private developers.

Findings

GAO found that, between January 1978 and November 1983, UDAG funded \$3 billion in grants to distressed communities for economic revitalization and neighborhood reclamation projects. The

HUD information system, however, did not provide complete information on program results realized from the 12 completed projects reviewed by GAO. GAO also found that many of the most economically distressed small cities did not participate in UDAG because they: (1) were unfamiliar with the program; (2) had insufficient city government capacity to plan a program project; and (3) had difficulty obtaining adequate private sector involvement. In addition, many recipients were repaying UDAG loans by developers before completion of the intended UDAG projects, but there is no clear policy on whether cities can use these early repayments for additional community and economic development activities.

Open Recommendations to Agencies

The Secretary, HUD, to help increase participation in the UDAG program of cities with populations below 50,000, should develop comprehensive UDAG information materials to help educate small cities and the private sector about the program.

Status: Action in process. HUD agreed with this recommendation and plans to publish a handbook for small cities and develop case studies. This material has been developed but not yet published because there is more competition than funds. Further, the administration wants to terminate the program.

Community Development

Improving Controls Over Rent and Management Fees at Multifamily Housing Projects

RCED-84-118, 04/11/84

Background

Pursuant to a congressional request, GAO evaluated the Department of Housing and Urban Development's (HUD) procedures for controlling rents and management fees at multifamily housing projects.

Findings

As part of its oversight role in housing programs, HUD reviews and approves rent and management fee increases for multifamily rental housing projects. GAO found that inadequate controls resulted in excessive rents, higher management fees, and possible overpayment of HUD subsidies. Three HUD field offices processed or approved rent increases without receiving supporting documentation. Approved rents were overstated by about \$510,000 at 17 projects, including overstatements of capital improvements, commercial income, expenses associated with providing rent-free apartments to management personnel, and calculation errors. GAO also found that: (1) capital improvements and commercial income were overstated because HUD personnel did not follow procedures; (2) current HUD instructions were unclear

regarding the value of rent-free apartments; (3) in some cases, there was no evidence that supervisors reviewed the work of personnel who processed rent increases; (4) management fees were being approved under different criteria and rationales; and (5) field offices were not comparing the payment of management fees with approved fees. HUD is in the process of developing new procedures for the review of both rent increases and management fees.

Open Recommendations to Agencies

The Secretary, HUD, should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of more specific guidelines on the documentation required and the analysis needed for field offices to process and approve rent increases.

Status: Action in process. Action was initiated but is currently suspended due to staff cutbacks. No projection has been given on when action will resume.

The Secretary, HUD, should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include clarification of guidelines pertaining to the treatment of rent-free units in evaluating rent increase requests.

Status: Action in process. Action was initiated but is currently suspended due to staff cutbacks. No projection has been given on when action will resume.

The Secretary, HUD, should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of guidelines for supervisory controls over the rent and management fee processes.

Status: Action taken not fully responsive. Regulations for controlling management fees were issued on June 6, 1986. Regulations for improving supervisory controls over rents are still undergoing revision.

Community Development Opportunities for Public Housing Authorities To Develop and Acquire Computer-Based Management Information Systems

IMTEC-84-13, 09/28/84

Background

GAO evaluated the practices followed by public housing authorities (PHA) in acquiring computer-based management information systems and the Department of Housing and Urban Development's (HUD) role in coordinating these acquisitions.

Findings

GAO found the present system of allowing PHA to independently develop and acquire computer-based information systems has resulted in systems that are unique and costly. Such systems do not take advantage of the potential for transferability and sharing of software applications that exists among PHA.

Open Recommendations to Agencies

The Secretary, HUD, to avoid duplicate and costly development and acquisition of computerized systems, should provide central management direction and technical assistance to PHA for the acquisition and development of computer-based management information systems.

Status: Action in process. HUD is considering a proposal to establish a new Information Services Division to coordinate technical advisory service and guidance to PHA on their acquisition of computer hardware and software.

The Secretary, HUD, to improve the reporting of financial and management

information by PHA to HUD, should guide and coordinate the development of compatible automated systems to provide for the direct interface and linkage of the PHA and the HUD computer systems.

Status: Action in process. HUD established a PHA Automation Task Force to: (1) improve the timeliness and accuracy of budgeting financial and statistical data; and (2) improve its capability and effectiveness in providing technical assistance and guidance to PHA in the acquisition and efficient use of computer based systems. HUD will sponsor the development of software for automating PHA functions.

Disaster Relief and Insurance

National Flood Insurance: Marginal Impact on Flood Plain Development, Administrative Improvements Needed

CED-82-105, 08/16/82

Background

Pursuant to a congressional request, GAO examined whether: (1) the National Flood Insurance Program (NFIP), administered by the Federal Emergency Management Agency (FEMA), stimulated flood plain development; and (2) FEMA was adequately enforcing flood plain management regulations.

Findings

Coastal and barrier island communities are developing rapidly, because they offer many attractive features and opportunities for recreation and retirement. After studying six coastal communities and interviewing various federal, state, and local officials, GAO concluded that the availability of federal flood insurance is not the principal reason for flood plain development in these communities, but it does offer a marginal added incentive to develop-

ment. GAO also found that FEMA monitoring of local communities' enforcement of flood plain management regulations has been inadequate. Additionally, GAO noted errors in designations of flood zones on which insurance rates were based. GAO observed that providing flood insurance and other federal assistance in extremely hazardous coastal areas subject to wave damage may be an undesirable public policy because of the high potential for loss of life and destruction of property.

Open Recommendations to Agencies

The Director, FEMA, should establish a centralized control system to direct and guide the monitoring and enforcement program. This system should include the systematic selection and periodic updating of information on those communities in each region whose compliance with flood plain requirements is considered critical. These communities should receive priority for monitoring visits. The system should also include continuing evaluations of community

visits to measure individual and overall community compliance and to evaluate the effectiveness of the monitoring program in each region.

Status: Action in process. Estimated completion date: 10/87. FEMA completed certain actions to implement this recommendation, including computerization of monitoring visit reports and prioritizing communities. Several projects are underway to collect and computerize key property address and claims information to use in community monitoring and enforcement. FEMA plans

to update the listing which ranks the communities needing compliance visits.

The Director, FEMA, should reallocate staff resources to increase monitoring activities in regions 4 (Atlanta) and 6 (Dallas).

Status: Action in process. Estimated completion date: 10/87. The Federal Insurance Administration has recommended recruiting additional regional staff during fiscal year 1987 to provide more monitoring staff for regions 4 and 6, if funds are available.

Disaster Relief and Insurance

National Flood Insurance Program: Major Changes Needed if It Is To Operate Without a Federal Subsidy

RCED-83-53, 01/03/83

Background

Pursuant to a congressional request, GAO examined: (1) how the Federal Emergency Management Agency (FEMA) establishes rates for the National Flood Insurance Program (NFIP); (2) whether it is possible to eliminate the federal subsidy and make the program self-sustaining; and (3) whether the flood insurance revolving fund is an appropriate mechanism for financing the program.

Findings

GAO found that NFIP has not collected sufficient premiums to cover the cost of providing the insurance to about 1.9 million policyholders living in flood-prone areas. To compensate for the inadequate premium income, the FEMA Federal Insurance Administration borrowed a total of \$854 million from the Treasury between 1970 and 1980. Except where FEMA provides an intentional subsidy, flood insurance policyholders are required to pay insurance

rates which are set in accordance with accepted actuarial principles. FEMA has relied on a combination of models and judgment to set the insurance rates, and methodological and data weaknesses in this approach have produced an overly complex rate structure that has not generated sufficient income to cover the costs of providing insurance or build up a reserve. FEMA is currently attempting to eliminate the federal subsidy by fiscal year 1988. When Congress established the flood insurance revolving fund, it expected the program to be run as a joint government-insurance industry operation. However, after a series of disagreements in 1978, the government terminated the insurance industry's involvement and took over the program.

Open Recommendations to Agencies

To develop a risk premium rate structure, which produces adequate premi-

um income and is in line with accepted actuarial principles, the Director, FEMA, should estimate and establish a catastrophic reserve.

Status: Action in process. Estimated completion date: 01/88. This action has been initiated and FEMA plans that this action will be completed about 1987 or 1988.

To develop a risk premium rate structure, which produces adequate premium income and is in line with accepted actuarial principles, the Director, FEMA, should increase reliance on recent loss experience in setting rates.

Status: Action in process. Estimated completion date: 01/88. This action is in process and is part of the rate design changes that are projected for completion about 1987 or 1988.

Education, Training, Employment, and Social Services

Elementary, Secondary, and Vocational Education

Implementation of Public Law 94-142 as It Relates to Handicapped Delinquents in the District of Columbia

GGD-86-4, 10/17/85

Background

Pursuant to a congressional request, GAO reviewed the District of Columbia's implementation of the Education for All Handicapped Children Act of 1975, which pertains to learning disabled and emotionally disturbed juvenile delinquents and requires that education and services for handicapped children be delineated in individualized education programs (IEP).

Findings

GAO found that the District is not meeting its commitments under the act because: (1) many handicapped delinquents are not given opportunities for special education; (2) IEP do not meet all the requirements of the act; and (3) most handicapped delinquents in Youth Services Administration (YSA) custody do not receive special education. In order to be in compliance, IEP must contain certain educational and procedural requirements against which to monitor juvenile education and guardian participation in IEP. About 73 percent of IEP are missing these requirements. The "Mills Decree" court decision also requires that assessment, IEP development, and placement of handicapped juveniles be completed within a maximum of 60 calendar days from the date of referral; however, the central facility which performs these assessments averages 117 days. Three YSA facilities do not provide special education to handicapped delinquents and none of the teachers are certified to teach any subject. In addition, these facilities have no criteria and do not follow public school standards for determining which delinquents are handicapped. GAO also found that, although the D.C. Public Schools are required to

monitor program effectiveness, they are not adequately reporting problems or corrective actions for the facilities. GAO believes that there is no focal point for coordination and information exchange among the D.C. Public Schools, the D.C. Superior Court, and YSA for identifying and educating delinquents.

Open Recommendations to Agencies

The Board of Education should direct the Superintendent of the D.C. Public Schools to work toward reducing the time necessary for assessment, IEP development, and placement of handicapped delinquents with the goal of ultimately adhering to the Mills Decree's 60-day requirement. As a first step, the Superintendent should emphasize to all staff the need for timely referral for testing and assessment of all juveniles for whom the need for such services is indicated.

Status: Action in process. The School Superintendent and School Board are studying the problem and possible solutions. The Superintendent completed action on the second part of this recommendation.

The Board of Education should direct the Superintendent of the D.C. Public Schools to ensure, through monitoring, that YSA and the Public Schools are referring all juveniles for testing who need to be tested and that the Public Schools are developing complete IEP.

Status: Action in process. An implementation plan between the Mayor and the School Board was signed in May

1986. Actual implementation began on September 8, 1986.

The Board of Education should direct the Superintendent of the D.C. Public Schools to monitor handicapped delinquents in the custody of YSA to ensure they receive at least the same services to which handicapped juveniles in the Public School system are entitled.

Status: Action in process. An implementation plan is under development by the School Superintendent.

The Board of Education should direct the Superintendent of the D.C. Public Schools to ensure that appropriate contracted residential facilities are selected as placements for handicapped delinquents. The Public Schools should ascertain what programs are available at residential facilities with which the District contracts, notify the D.C. Superior Court of the type of delinquent each facility is capable of serving, and periodically ascertain whether the programs have changed.

Status: Action taken not fully responsive. There is nothing to indicate that the schools intend to continue forwarding information to the courts regarding program changes at residential facilities.

The Board of Education should direct the Superintendent of the D.C. Public Schools to monitor YSA contracted residential facilities for compliance with the act. In addition, the D.C. Public Schools should monitor the educational program quality at these facilities, as well as at YSA public residential

facilities. This monitoring effort should ensure that required services in IEP are being provided by these facilities.

Status: Action in process. An implementation plan is under development by the School Superintendent. Funding has been authorized to hire a monitoring staff.

The Mayor of the District of Columbia should direct YSA to develop written procedures and establish specific criteria for forwarding information to the D.C. Superior Court and the Public Schools, once notified by the Court that a juvenile is being detained, or has reentered the school system.

Status: Action in process. An implementation plan is under development by the Mayor and two other agencies.

The Mayor of the District of Columbia should direct YSA to provide all educational and related services which are required by delinquents' IEP.

Status: Action in process. An implementation plan is under development.

The Mayor of the District of Columbia should direct YSA to notify the Public Schools of the required services that YSA cannot provide.

Status: Action in process. An implementation plan is under development.

The Mayor of the District of Columbia should direct YSA to establish a special education program for handicapped delinquents at Oak Hill, Cedar Knoll, and the Receiving Home for Children.

Status: Action in process. An implementation plan is under development.

The Mayor of the District of Columbia should direct YSA to evaluate follow-up services provided to delinquents after release from YSA custody and correct any administrative, management, and procedural problems identified.

Status: Action in process. An implementation plan was signed, and implementation began on December 1, 1986.

The Secretary of Education should provide the necessary oversight and assistance to bring the District into compliance with the act as it relates to handicapped delinquents.

Status: Action in process. An action plan is being considered by Education officials.

Higher Education

Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements

HRD-84-17, 08/20/84

Background

In response to a congressional request, GAO assessed the administration of the Pell Grant Program by proprietary schools.

Findings

Proprietary schools are usually private, for-profit vocational schools, and the objective of the Pell Grant program at postsecondary proprietary schools is to help financially needy students get training to prepare them for employment. Since the program began in 1973, the number of recipients has grown over twelvefold and, during the 1980 through 1981 school year, proprietary schools received and administered \$278 million in federal Pell Grant funds.

GAO estimated that school practices which are not in the best interests of the students and do not comply with program requirements are costing the government millions of dollars. These practices include: (1) the admission of unqualified students who have a greater tendency to drop out of school before completing their training than do qualified students; (2) the failure to establish or enforce academic program standards; (3) schools' misrepresenting themselves to prospective students; and (4) errors in computing and disbursing Pell Grant awards and refunds. In its efforts to assess whether schools comply with Pell Grant Program requirements, the Department of Education conducts on-site program reviews at some schools each year; however, GAO believes that these reviews are not adequate and are

hampered by the agency's limited staff resources.

Open Recommendations to Agencies

In view of the significantly higher dropout rate for students admitted on the basis of the ability-to-benefit criterion, the Secretary of Education should explore the feasibility of developing criteria that would provide schools with a better indication that such students have a reasonable likelihood to complete training. In developing criteria, the Secretary might consider, among other things, the characteristics of successful students enrolled on the basis of ability to benefit, where determinable.

If suitable criteria cannot be developed, the Secretary should seek a legislative change to limit admission to students with a high school diploma or general education development certificate and provide that exceptions to this requirement be justified in writing and approved by Education.

Status: Action in process. The status of this recommendation remains the same since there was no update provided by Education. As of the last update in September 1985, Education was exploring the feasibility of develop-

ing admissions criteria to be considered by the schools.

The Secretary of Education should request that the Inspector General (IG): (1) gather information on why regional offices reject the audit work and reports of independent public accountants; and (2) use the analysis of this information as a basis for assessing and, when necessary, increasing the quality and reliability of public accountant audit work. The overall result of this effort would be the development of better information for Education to use in monitoring compliance. Such information, together with Education's program reviews and

IG audits, should allow Education to better ensure that problems such as those noted regarding recruiting practices, adherence to academic progress standards, and administering federal funds are identified and remedial or other enforcement action is taken where appropriate.

Status: Action in process. Education's IG is in the process of identifying recurring problems with independent public accountant audit reports and plans to revise its manual to incorporate resulting policy changes.

Higher Education

Pell Grant Validation Imposes Some Costs and Does Not Greatly Reduce Award Errors: New Strategies Are Needed

PEMD-85-10, 09/27/85

Background

GAO analyzed the Department of Education's efforts to verify data submitted by applicants to the Pell Grant Program through validation and the effects of validation on educational institutions and on student applicants for financial aid.

Findings

GAO conducted: (1) in-depth case studies of 12 postsecondary schools representing the diversity of schools that Pell Grant recipients attend; and (2) a random sampling of the financial aid offices of 400 other institutions. GAO also surveyed students at three different types of schools and compared the experiences of validated and nonvalidated students. GAO found that: (1) validation increased from 39 percent of recipients in 1981 to 1982 to 64 percent in 1982 to 1983; (2) schools were generally positive toward vali-

dation and willing to see it expanded to other financial aid programs, although they reported increased costs and award delays attributable to validation; (3) validation problems and delays in awards did not appear to have an effect on most students' academic plans, although about 1 percent of them may have had their plans negatively affected; and (4) substantial, continuing problems with student application and institutional errors exist despite validation, with overawards occurring more frequently than underawards. GAO also reviewed Education's most recent studies of Pell Grant error and found that its efforts to reduce error were hindered by: (1) lack of clear purpose and formal goals, with little done to prevent, as well as detect, error; (2) information gaps caused by lack of regular monitoring of error rates at all types of schools; (3) decisions made under time constraints, contributing to misinterpretation of data; (4) fragmentation within the Office of Student Financial Assistance; and (5) isolation from other agencies that deal with award inaccuracies.

Open Recommendations to Congress

Congress may wish to consider the rates of Pell Grant error to determine whether additional guidance to Education would be helpful.

Status: Action taken not fully responsive.

Open Recommendations to Agencies

The Department of Education may wish to present proposals for legislative change. However, before taking specific actions, Education needs goals for accuracy, diverse strategies clearly linked to the goals, better data, and internal management structures that will apply leadership to corrective action. A comprehensive effort might include a more active search for relevant experience in other agencies and a greater use of pilot tests of promising practices without having to experiment on

the regular system. In addition, a comprehensive effort to define goals and strategies might be made in cooperation with the postsecondary institutions that now carry the responsibility for day-to-day administration of the Pell Grant Program.

Status: Action taken not fully responsive. Education expanded its existing approach to Pell Grant error by requiring more data elements to be verified, and also expanded verification to the other federal student aid programs. However, institutions of higher education complained about the work load, and Congress responded by directing that the rules not be enforced.

Attempted action, although not the action recommended, has failed. The Office of Management and Budget (OMB) should maintain its oversight of the Pell Grant Program. OMB could also promote the sharing of promising internal practices in federal agencies, identify workable and effective approaches for institutions carrying out verification functions for federal programs, and encourage the use of joint or substitutable eligibility in order to reduce the work required for need analyses and eligibility reviews wherever possible.

Status: Action in process. OMB oversight of Pell Grant quality control issues by the budget examiner for higher education, though not by OMB

management reviewers, has been visible and vigorous.

OMB should maintain its oversight of the program, in future management reviews, to ensure that OMB concerns and the issues raised, including the need for improvements in Pell Grant evaluation information, are considered and acted upon.

Status: Action in process. Education's most recent Pell Grant validation guidelines do not reflect GAO observations. GAO has not been able to determine if the gap was at the OMB or Education level.

Higher Education

Guaranteed Student Loans: Better Criteria Needed for Financing Guarantee Agencies

HRD-86-57, 07/02/86

Background

GAO reported on the financing of guarantee agencies under the Department of Education's Guaranteed Student Loan Program, specifically whether reserves exceed the risks guarantee agencies are asked to assume, at the expense of the federal government and student borrowers.

Findings

GAO found that: (1) guarantee agencies decide for themselves the levels of reserve funds they need and have accumulated more reserves than necessary; (2) the agencies had \$986 million in cash reserves at the end of fiscal year (FY) 1985; (3) Education is seeking legislative action to reduce certain sources of funds available to the guarantee agencies; (4) Congress passed a bill requiring Education to recall \$75 million in federal advances

from the guarantee agencies during FY 1988; and (5) agencies used some of their reserves for non-program purposes. GAO believes that the recall of advances should be conducted over 2 years, rather than as a 1-time payback.

Open Recommendations to Congress

Congress should amend the Higher Education Act of 1965 to require the Secretary of Education to: (1) establish, in consultation with the guarantee agencies, criteria for the appropriate levels of reserves guarantee agencies should retain, based on the financial risks they face; and (2) recall federal advances from the guarantee agencies beyond the amounts needed to maintain reserves at the established levels.

Status: Action in process.

Congress should amend the Higher Education Act of 1965 to restrict the growth of future agency reserves beyond the established levels. In this regard, Congress should consider adjustments to one or more of the financing provisions for guarantee agencies. Options for consideration include: (1) reducing administrative cost allowance reimbursements, reinsurance, or the percentage of collections guarantee agencies may retain, if the preference is to reduce federal expenditures; (2) reducing insurance premiums charged by agencies if the preference is to reduce student costs; or (3) some combination of these.

Status: Action in process.

Higher Education

Guidelines for Reducing Guaranty Agency Reserves

HRD-86-129BR, 08/07/86

Background

Pursuant to a congressional request, GAO: (1) provided guidelines for determining the maximum amount of cash reserves necessary to guarantee loans under the Guaranteed Student Loan Program; and (2) estimated the effects the guidelines would have if they were implemented in fiscal year (FY) 1986.

Findings

GAO noted that agencies should establish their own maximum reserves based upon their potential to experience negative cash flow. GAO developed a methodology to set maximum reserve levels as an amount equal to the largest of three factors: (1) a percentage of claims paid during the prior FY; (2) a percentage of the amount of outstanding loans guaranteed by the agency at the end of the prior FY; and (3) a minimum of \$500,000 to provide for the smaller loan portfolios and claims activity of small agencies. If the guidelines had been implemented in FY 1986: (1) there would have been adequate reserves to offset the largest negative cash flows experienced by any of the guaranty agencies in FY 1984 and FY 1985; (2) guaranty agencies would have returned between \$52 million and \$81 million in federal advances; and (3) excess reserves would have decreased

between \$95 million and \$222 million. GAO concluded that: (1) agencies' reserve limits should be large enough to accommodate the cash flow problems experienced by any of the agencies in recent years but not so large that they would allow the accumulation of unnecessarily large reserves; and (2) savings from the implementation of these guidelines in FY 1987 and beyond would depend on the financial condition of each agency during the previous year and the reduction or elimination of barriers such as existing state laws and contractual agreements.

Open Recommendations to Congress

Congress should consider amending the Higher Education Act of 1965 to require that guaranty agency reserves be limited during each FY to the largest of: (1) a percentage in the range of 40 to 50 percent of claims paid during the preceding year; (2) a percentage in the range of 0.3 to 1 percent of the original amount of outstanding loans guaranteed by the agency at the end of the preceding year; or (3) a minimum dollar amount of \$500,000 to protect smaller agencies.

Status: Action not yet initiated.

Congress should consider amending the Higher Education Act of 1965 to require the Secretary of Education to: (1) annually determine, at the end of the first quarter of each FY, the cash reserve applicable to each agency during the current FY; and (2) require, where actual cash reserves at the end of the prior FY exceed the limits, that such excess reserves be used first to return federal advances and then to pay default claims without reimbursement.

Status: Action not yet initiated.

Congress should consider amending the Higher Education Act of 1965 to provide for appeal by the guaranty agencies to the Secretary of Education of the maximum reserve levels permitted at the end of each FY on the basis that: (1) an agency's financial position had deteriorated significantly after the end of the FY; (2) an agency has agreements that require the agency to maintain reserves that exceed the maximum limits; or (3) significant changes in the economic environment or the program render the guidelines inadequate for individual agencies.

Status: Action not yet initiated.

Other Labor Services

Congress Should Consider Repeal of the Service Contract Act

HRD-83-4, 01/31/83

Background

GAO reported on the problems and impacts of the Service Contract Act of 1965, as amended, and the Department of Labor's administration and enforcement of its implementing regulations and procedures.

Findings

GAO found that Labor has been unable to administer the Service Contract Act efficiently and effectively because: (1) inherent problems exist in its administration; (2) wage rates and fringe benefits set under the act are generally inflationary; (3) accurate determinations of prevailing wage rates and fringe benefits cannot be made using

existing data sources and the data needed to accurately determine prevailing wage rates and fringe benefits would be very costly to develop; and (4) the Fair Labor Standards Act and administrative procedures implemented through the federal procurement process could provide a measure of wage and benefit protection the act now covers. Pending proposed regulations would limit Labor's application of the act while leaving unresolved the major underlying problems in accurately developing prevailing wage rates and fringe benefits. In addition, ambiguities in the language of the act have hampered Labor's ability to develop accurate wage rates and fringe benefits for employees. Amendments to the act further complicated Labor's task by

requiring Labor to issue collectively bargained wages and benefits in specific successor contractor situations and give due consideration to federal employee wages and benefits in making determinations of the prevailing wages and benefits in a locality.

Open Recommendations to Congress

Congress should consider repealing the Service Contract Act of 1965.

Status: Recommendation valid/action not intended.

Other Labor Services

Interim Report on the Department of Labor's Management of the ERISA Enforcement Program

HRD-85-82, 06/24/85

Background

In response to a congressional request, GAO provided information on its ongoing review of the Department of Labor's management of the Employee Retirement Income Security Act (ERISA) enforcement program.

Findings

The Office of Pension and Welfare Benefit Programs (OPWBP) is responsible for enforcing ERISA reporting, disclosure, and fiduciary provisions. In 1984, OPWBP reported closing 2,454 cases, and \$93 million in assets were

recovered or safeguarded. Despite its accomplishments, the program for protecting pension plan benefits has been criticized over the last 10 years by a number of organizations. In 1984, a work group reported that the ERISA enforcement program was unable to maintain credibility within the employee benefit plan community because there was no assurance that ERISA violations would be detected and corrected. GAO found that the program has lacked a consistent long-term strategy, and as a result, there is not adequate assurance that plans most likely to be in violation of the act were being select-

ed, or that limited OPWBP resources have been effectively applied. Three area offices, which GAO reviewed, all used different bases for case selection, and only one had attempted to evaluate the effectiveness of its methods. There has also been a frequent turnover of key program officials resulting in changes in enforcement policy, and the small size of the investigator and auditor staff has enabled OPWBP to review only 1 percent of the plans each year. Finally, since 1977, the training provided for ERISA staff has been limited and inadequate. Although Labor has recently taken action to reorganize

the enforcement program, certain long-standing problems still persist.

drafted and sent to the Secretary for approval.

The Secretary of Labor should hold key program managers accountable for adhering to the strategy and producing results unless changes are adequately justified and approved.

Open Recommendations to Agencies

The Secretary of Labor should periodically track the progress of the enforcement strategy.

The Secretary of Labor should direct OPWBP to develop a comprehensive, long-term enforcement strategy.

Status: Action in process. Estimated completion date: 11/87. Labor will review implementation progress of the new strategy during fiscal year 1987 and make appropriate changes by November 1987.

Status: Action in process. When implemented, managers will be held accountable for accomplishing the new strategy's goals.

Status: Action in process. Estimated completion date: 12/87. A strategy was

Other Labor Services

Strong Leadership Needed To Improve Management at the Department of Labor

HRD-86-12, 10/21/85

Background

GAO reviewed how the Department of Labor could improve management by: (1) identifying and handling emerging issues; (2) minimizing vulnerability in implementing and controlling management systems for efficient and effective program delivery; and (3) operating financial, procurement and automatic data processing (ADP) systems in a business-like way.

Findings

GAO found that Labor had no systematic, departmentwide, long-range policy planning process in such problem areas as: (1) determining how to best use the agency's investigators to achieve a credible enforcement program of pension plans; (2) reducing the lengthy time involved in issuing regulations; and (3) integrating the acquisition and use of ADP resources without unduly constraining component operations. GAO also found that the Secretary generally did not identify key priorities or systematically track progress; however, where he did identify priorities, results were achieved. In addition, GAO found that: (1) information systems did not

always provide sufficient data on mission attainment; (2) the monitoring of programs primarily operating at the state and local levels may not be identifying vulnerable areas; (3) program managers often did not perceive audits, reviews, and evaluations as identifying and resolving problems; (4) the agency might have lessened the adverse effect of reductions in force through better identification and planning for long-term staffing needs; (5) Labor's training and management development programs lacked credibility among many program managers; and (6) Labor has not operated key support functions such as financial management, ADP, procurement, and productivity improvement as effectively or efficiently as possible.

Open Recommendations to Congress

Congress should consider the need for: (1) stronger concern for enhancing managerial direction and control; (2) better accountability for agencywide management functions; and (3) more continuity in the top management team.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of Labor should: (1) establish a special committee to determine what can be done to expedite Labor's rulemaking process; (2) develop recommendations and a strategy for implementation; and (3) focus attention on correcting the problem.

Status: Action in process. The Secretary established a committee in November 1985 to develop recommendations and an implementation strategy. Studies are underway.

The Secretary of Labor should enhance procurement capability by directing procurement managers, as well as program managers, to work with their personnel offices to focus on enhancing position skills, defining position requirements, and ensuring proper job classification.

Status: Action in process. Estimated completion date: 10/87. Labor is match-

ing skill levels with required position skill levels, implementing the 1102 classification standard, developing and implementing a position reference package, and assessing its technical training needs.

The Secretary of Labor should enhance procurement capability by directing the Assistant Secretary for Administration and Management to implement a comprehensive automated procurement data system.

Status: Action in process. Estimated completion date: 10/87. During 1986, Labor obtained GSA software to prepare contract monitoring reports and establish a committee to determine the scope of its long-range automation needs and prepare cost estimates for the fiscal year (FY) 1988 budget. If resources are available, Labor will begin implementing these improvements in October 1987.

The Secretary of Labor should enhance procurement capability by directing the procurement executive to describe the Department's problems and the needed resources required to correct deficiencies in a more complete manner in the next procurement system certification.

Status: Action in process. Estimated completion date: 10/87. Labor issued procedural instructions to its component agencies and, in the next procurement system certification, it will describe in detail the deficiencies identified and the resources needed for corrective action.

The Secretary of Labor should enhance procurement capability by holding managers accountable for preparing annual advanced procurement plans that contain required elements and reflect realistic up-front assessments of needs.

Status: Action in process. Estimated completion date: 12/87. Labor issued instructions to the agencies for preparing annual advanced procurement plans

(AAPP), which include accountability and needs assessment. By October 1987, the Secretary will review AAPP and report on their adequacy.

The Secretary of Labor should direct the senior information resources management (IRM) official and the Assistant Secretary for Administration and Management to: (1) complete the development of a departmental strategy and ADP/telecommunications plan leading to a departmental plan for IRM; (2) improve guidance on conducting inventories and monitor the process of taking the inventory; (3) adequately review and approve/disapprove agency plans, systems needs, requirements, cost/benefit analyses, and proposed deviations from generally accepted testing procedures before systems are acquired or accepted; (4) periodically conduct IRM reviews covering system utilization and potential for functional consolidation; and (5) assess staffing needs to fulfill increased responsibilities.

Status: Action in process. Labor has taken steps to improve its IRM, including: (1) consolidating IRM functions in OASAM; (2) issuing a departmentwide IRM strategy; (3) preparing a departmental long-range IRM plan; (4) preparing IRM policies; (5) developing a program for IRM reviews; and (6) assessing staffing needs. Labor agreed to take action to further enhance IRM management within staffing constraints.

The Secretary of Labor should hold the senior IRM official and other appropriate managers, including program assistant secretaries, accountable for: (1) carrying out departmental IRM planning and acquisition requirements, including preparing adequate plans and accurate inventories; (2) preparing adequate needs, requirements, and cost/benefit analyses before systems are acquired; and (3) taking appropriate action to periodically review system utilization and avoid unnecessary duplication of equipment and systems

and enhance systems compatibility and interoperability within Labor.

Status: Action in process. Estimated completion date: 10/87. Instructions for implementing IRM policies will be issued in early FY 1987. The Secretary will review, track, and report on compliance with these policies through October 1987.

To ensure that appropriate corrective actions are taken, the Secretary of Labor should direct the Assistant Secretary for Mine Safety and Health to explore the feasibility of reallocating staff among district offices.

Status: Action in process. Estimated completion date: 10/88. MSHA identified staffing imbalances, developed a reallocation plan, and begun a program of voluntary reassignment to understaffed districts. Reallocation of staff is to be completed by October 1988.

To ensure that appropriate corrective actions are taken, the Secretary of Labor should direct the Assistant Secretary for Mine Safety and Health to determine whether additional inspectors will be necessary to conduct the required number of inspections and if so, take appropriate steps to secure the additional number needed.

Status: Action in process. Estimated completion date: 10/87. MSHA assessed its inspector staff and will secure additional staff as needed, pending reallocation of current staff and availability of funds. Generally, MSHA believes that it can accomplish its mission with existing resources.

The Secretary of Labor should direct the Assistant Secretary for Employment and Training, in cooperation with the Office of the Inspector General (OIG) and other appropriate departmental officials, to assess Job Training Partnership Act (JTPA) monitoring mechanisms at federal and state levels to ensure that they: (1) are work-

ing as designed; (2) are adequate to ensure that the state fiscal control and administration program will be able to identify and correct internal control problems if they still exist; and (3) provide reasonable assurance that federal and state control objectives are being achieved.

Status: Action in process. An assessment of the monitoring tools was completed. Labor is working with the states to develop policy guidance, consult on program administration, and provide for technical assistance and training. Also, management review guides are being developed and compliance review guides were revised. Both guides will be implemented in 1987.

The Secretary of Labor should direct the Assistant Secretary for Employment and Training, in cooperation with OIG and other appropriate departmental officials, to improve its vulnerability assessment process to ensure that it is adequate for determining the vulnerability of JTPA.

Status: Recommendation valid/action not intended. GAO and Labor have a fundamental disagreement over Labor's responsibility to assess state and service delivery levels' operations. Labor believes that it is sufficiently in compliance with JTPA, Federal Managers Financial Integrity Act (FIA), Comptroller General (CG) instructions, and OMB guidance. GAO will address this issue in an FIA follow-up review.

The Secretary of Labor should direct the Assistant Secretary for Employment and Training to work with the Assistant Secretary for Administration and Management to evaluate and possibly redesign its vulnerability assessment instrument and process for unemployment insurance to ensure that they produce reliable results and more completely cover the program.

Status: Recommendation valid/action not intended. Labor fundamentally disagreed with the GAO position that its

responsibility extends to state employment service agencies. Labor believes that it is in compliance with FIA, CG instructions, and OMB guidance. GAO will address this issue during an FIA follow-up review.

The Secretary of Labor should reassess the emphasis given to program evaluation within the Department to determine whether additional evaluations of key departmental activities would enable the Secretary to make more informed policy decisions and better control operations.

Status: Action in process. Labor identified existing program evaluation activities and is assessing their usefulness in addressing policy matters.

The Secretary of Labor should direct the Assistant Secretary for Administration and Management, in cooperation with agencies, to: (1) establish appropriate standards for filling vacancies; (2) establish procedures for monitoring the staffing process; and (3) develop strategies for dealing with identified problem areas.

Status: Action in process. Labor and the agencies established interim time standards in June 1986 for filling vacancies and began collecting staffing data to assess the adequacy of the standards. Because of the lack of recruitment activities, Labor and the agencies will continue to collect data until sufficient data is available upon which to base permanent standards.

The Secretary of Labor should require that agencies establish, with OASAM guidance and assistance, more systematic procedures for developing employees for supervisory and management positions.

Status: Action in process. Labor is assessing position knowledge and skill requirements and establishing or revising programs to meet the requirements.

The Secretary of Labor should require more rigorous implementation of training needs assessments and course evaluation methods that identify current and future training needs, so that agency and programmatic requirements are satisfied.

Status: Action in process. Labor is identifying agency and program training requirements and evaluating course effectiveness.

The Secretary of Labor should strengthen performance management throughout the Department by requiring each agency to review the operations of its appraisal systems with assistance and coordination provided by the Office of the Assistant Secretary for Administration and Management (OASAM) to ensure that: (1) performance expectations are accurate; (2) personnel actions are based on employee performance; and (3) wide variations in the application of Labor's policies are assessed and appropriately addressed.

Status: Action in process. Estimated completion date: 04/87. Labor is establishing system review criteria and assessing agency application of Labor's performance management policies. Labor will address any wide variations in agency application of the performance management policies.

The Secretary of Labor should strengthen performance management throughout the Department by directing OASAM, in cooperation with Labor agencies, to assess supervisory training needs in the area of performance management and provide training to meet those needs.

Status: Action in process. Labor is assessing its training needs and will train the appropriate supervisors.

The Secretary of Labor should implement a more systematic productivity improvement effort by requiring managers to develop quantifiable, or at least

observable, measures for as many positions as practicable in the department. Included in these, to the extent possible, should be customer and quality of service measures.

Status: Action in process. Labor is identifying the positions for which performance measures might be developed and will begin implementing measures and tracking performance.

The Secretary of Labor should implement a more systematic productivity improvement effort by directing program managers to routinely perform comparative trend and productivity analyses for their field offices.

Status: Action in process. Estimated completion date: 01/87. Labor began analyzing and reporting program results. It will perform comparative trend analyses by January 1987.

The Secretary of Labor should direct the Assistant Secretary for Administration and Management to: (1) periodically reevaluate the integrated accounting system (IAS) financial management reports to ensure that they effectively meet managers' needs; (2) determine the comparative data needs of managers that could be met by the IAS reporting process as part of the overall report reevaluation effort; and (3) investigate the extent and causes of specific accounting document coding problems and their impact on report accuracy.

Status: Action in process. Labor conducted limited reviews and tests of its financial management reports, investigated problems, and prepared a budget plan. It obtained agency financial managers' input to its integrated accounting system modernization implementation plans and will conduct more complete reviews and tests of the reports.

The Secretary of Labor, in order to adequately assess whether the Department's accounting systems conform with the Comptroller General's principles, standards, and related requirements, should direct the Assistant Secretary for Administration and Management to provide for: (1) departmental monitoring of agency system review efforts; and (2) conformance testing as part of agency accounting system reviews.

Status: Action in process. Labor conducted limited reviews of agency accounting systems and developed a 3-year review schedule and procedures and techniques for indepth evaluations and tests. The Assistant Secretary is monitoring agencies' progress with system reviews. Labor is planning to disclose the significance of weaknesses in future FMFIA reports but does not plan to evaluate state grantee internal controls.

Social Services

A Comprehensive Approach Needed for Further Productivity Improvements in the Unemployment Insurance Program

HRD-85-8, 10/25/84

Background

GAO reviewed the Department of Labor's utilization of resources in its implementation of the Federal-State Unemployment Insurance (UI) program.

attention from Labor management, but it is not a specific management objective and Labor does not have a comprehensive approach for achieving productivity improvements.

and disseminate information on best management and processing practices to improve productivity.

Findings

GAO found that states administering the program have achieved significant productivity increases over the past 20 years, although there is potential for further improvement. GAO noted that there remain significant differences in productivity rates among states and offices within states, much of which are attributable to variations in operating practices. GAO also noted that productivity improvement receives some

Open Recommendations to Agencies

The Secretary of Labor should direct the Employment and Training Administration (ETA) to develop a plan for improving productivity in administering the UI program to include: (1) measures of productivity and unit costs; (2) improvement goals; and (3) a joint approach with states to identify

Status: Action in process. Actions include: (1) implementing an UI quality control program to collect data for use by state employment security agencies (SESA) to assess operations and prepare corrective action plans; (2) disseminating information from the plans to other SESA; and (3) issuing a contract, which runs through March 1987, for development of an operational prototype productivity measurement system.

The Secretary of Labor should direct ETA to assess the potential benefits and determine which type of incentives would be most suitable for encouraging states to adopt best management practices.

Status: Action in process. Labor issued a contract to explore the development of an operational prototype productivity measurement system that integrates both qualitative and quantitative program measures. The contract

should result in recommendations for a federal-state program management system designed to reward efficient states and provide feedback to less efficient states to facilitate corrective actions.

Social Services

The Establishment of Alternative Corporations by Selected Legal Services Corporation Grant Recipients

HRD-85-51, 08/22/85

Background

Pursuant to a congressional request, GAO reviewed certain alternative corporations that were established by three Legal Services Corporation (LSC) grant recipients to determine: (1) how and why the alternative corporations were established; (2) whether the establishment of the corporations complied with the Legal Services Corporation Act and regulations; and (3) whether the grant recipients and alternative corporations have maintained close enough relationships to be considered single entities for purposes of compliance with the act.

Findings

GAO found that: (1) the act and regulations do not prohibit grant recipients from establishing alternative corporations as long as the funds transferred to the corporations are used in accordance with the act; and (2) LSC officials encouraged grant recipients to develop strategies, including the establishment of alternative corporations, to

counter anticipated funding reductions and restrictions. However, the recipients established the corporations for different reasons, including to: (1) comply with the act's fund balance policy to ensure that the funds would remain in the state and not be recaptured or result in future deductions; (2) comply with the act's requirement that recipients involve private attorneys in delivering legal assistance; (3) reduce potential restrictions on recipient activities and the use of private funds; and (4) reduce future expenses in anticipation of funding cuts. GAO found that grant recipients and subrecipients in Texas and Connecticut maintained such close relationships that a true separation of the corporations did not exist, but in Maine, they operated independently and complied with regulations. GAO believes that LSC is justified in considering the two corporations as one, where the grantee and the subgrantee have so close an identity of interests, under its authority with the act to ensure that recipients comply with the act.

Open Recommendations to Agencies

Beginning with the fiscal year ending September 30, 1985, the President, LSC, should consider the Texas Rural Legal Aid's and the Texas Rural Legal Foundation's (TRLA/TRLF) combined funds balance as a single fund balance and apply the procedures in the LSC fund balance regulation.

Status: Action in process. Effective January 1, 1986, LSC revised its Audit and Accounting Guide to implement this recommendation to consider the fund balances of a grant recipient and alternative corporation as a single fund balance under LSC regulations. As of December 17, 1986, LSC had not applied the regulation to the TRLA/TRLF fund balance.

Social Services

ADP Workstations: SSA's \$64-Million Acquisition for Fiscal Year 1987 Should Be Reconsidered

IMTEC-86-34, 09/16/86

Background

Pursuant to a congressional request, GAO reviewed the Social Security Administration's (SSA) efforts to update its computer systems that process benefit claims, specifically its fiscal year (FY) 1987 procurement of automatic data processing (ADP) furniture for the Claims Modernization Project.

Findings

GAO found that: (1) SSA did not follow federal regulations requiring agencies to support the need for new furniture; (2) the projected cost per workstation includes some furniture that is not normally required for ADP workstations; (3) the amount of furniture SSA plans to procure substantially exceeds its needs; (4) SSA officials did not provide supporting justification for the large amount of planned furniture procurements; (5) furniture acquisitions are authorized only when there is an increase in agency personnel or a need to avoid program inefficiency; and (6) although specific furniture is needed to support SSA computer modernization, SSA has not clearly identified the nature and urgency of its planned procurement.

Open Recommendations to Agencies

The Secretary of Health and Human Services should immediately direct the Commissioner of Social Security to limit future contractual commitments of FY 1987 funds for the ADP furniture procurement, in accordance with the ADP hardware recommendations cited in the August 1986 report, to coincide with the terminals procured for a full pilot test of the proposed computer system.

Status: Action in process. The SSA audit liaison is awaiting comments from the Field Liaison Support Staff (FLSS) and Office of Management, Budget, and Personnel (OMB) in order to formulate a response for GAO. Congress inserted language in the conference report which prohibits SSA from obligating any funds during FY 1987 for furniture.

The Secretary of Health and Human Services should immediately direct the Commissioner of Social Security to delay the remaining planned FY 1987 furniture procurement until SSA thoroughly justifies the need for new furniture, in accordance with federal regulations. In conducting such an anal-

ysis, SSA should clearly identify those furniture acquisitions that are ADP-related and those that are not needed to support SSA computer modernization efforts.

Status: Action in process. The SSA audit liaison is awaiting comments from FLSS and OMB in order to formulate a response for GAO.

The Secretary of Health and Human Services should immediately direct the Commissioner of Social Security to thoroughly reexamine all activities associated with the furniture pilot program to reconsider the appropriateness of: (1) the furniture being justified and procured as ADP-related under the pilot program; and (2) the average workstation cost being based on furniture items that are not mandatory for ADP workstation requirements and that appear excessive in cost.

Status: Action in process. Estimated completion date: 12/86. SSA requested that the Office of Inspector General (OIG) follow up on this recommendation and report its findings. The SSA audit liaison is awaiting comment from FLSS and OMB to formulate a response for GAO.

Training and Employment

More Jobseekers Should Be Referred to Private Employment Agencies

HRD-86-61, 03/31/86

Background

Pursuant to a congressional request, GAO reviewed the implementation of the Employment Service Act to determine whether additional actions might be taken to better ensure that private employment agency resources are appropriately utilized to reduce unemployment.

Findings

GAO found that: (1) Department of Labor and state employment services have made little effort to use private employment agency resources; (2) 20 states have policies and practices explicitly prohibiting referrals to private agencies, even when jobseekers are not charged fees, because there is concern that increased referrals to private agencies could lead to displacement of employment service offices and staff; and (3) since there are no Labor regulations requiring states to make such referrals, state employment agencies continue to decline referrals to private agencies. GAO also found that: (1) when two welfare programs referred jobseekers to private employment agencies, the agencies increased placements and reduced the time taken to find jobs; (2) private agency placements were at least as cost-effective as placements under state employment services; (3) private agencies are a useful supplement to state employment services

because they have additional job openings and, unlike state employment services, are not paid unless they place jobseekers successfully for a specified time; (4) reduced unemployment insurance and welfare outlays can be expected from increased placement of employment service jobseekers; and (5) including private agency jobs in state employment service listings might beneficially broaden the employment services' job opening base and help them serve a more useful clearinghouse function.

Open Recommendations to Congress

Congress may want to amend the Employment Service Act to specifically require that state employment services solicit private employment agency job openings and refer jobseekers to them so long as the jobseekers are not charged fees. Pending consideration of the amendments to the Employment Service Act, Congress may also want to consider, as an interim measure, the language in Labor's annual appropriations act providing that grants to state employment services are conditional on their soliciting and making such referrals to private agency job openings.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Labor should develop regulations and guidelines that require state employment services to solicit job openings from private employment agencies and refer jobseekers to them so long as the jobseekers are not charged fees.

Status: Action taken not fully responsive. Labor did not concur that regulations mandating state action are appropriate. Labor issued a field memorandum encouraging, rather than requiring, solicitation and referral of jobseekers to private employment agencies. No other action is planned.

The Secretary of Labor should evaluate, in consultation with affected parties, additional approaches for increasing the use of private employment agency resources to place employment service jobseekers.

Status: Action in process. Estimated completion date: 12/86. Labor convened a series of public meetings to solicit recommendations for the Secretary on this subject and is analyzing those recommendations.

Energy

Emergency Energy Preparedness

Evaluation of the Department of Energy's Plan To Sell Oil From the Strategic Petroleum Reserve

RCED-85-80, 06/05/85

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) plan for selling oil from the Strategic Petroleum Reserve (SPR) to analyze: (1) the plan's potential effects on world oil prices; (2) the issues affecting who would get SPR oil under this plan; and (3) how the plan compares with alternative sales mechanisms.

Findings

GAO found that the plan's market approach would probably limit oil price increases in a severe supply disruption and allow broad participation in the sale. However, there were potential problems identified with oil distribution under the plan. DOE, in taking a market approach to the distribution, plans to award SPR sales contracts to the highest bidders who would be considered eligible buyers. This would allow any foreign country to buy the oil and does not limit the amount that a single buyer could purchase at a given sale. GAO also examined alternative sales methods of interest to Congress, including: (1) the continuous sale of options to buy SPR oil in advance of an oil emergency; and (2) allocation of SPR oil at government-set prices.

Most industry representatives opposed the sale of SPR options because of their concerns about the length of time during which options could be exercised and who should be eligible to buy the options. GAO found that uncompetitive allocation of SPR oil would entail administrative difficulties that would undermine its intended benefits since it would be difficult to develop criteria for fair distribution.

Open Recommendations to Congress

Because DOE comments did not respond to a prior recommendation that the Secretary of Energy reexamine his position on several issues and report to Congress, GAO believes that the cognizant committees of Congress should pursue these issues with DOE through hearings or in other ways that they may deem appropriate. Specifically, Congress should consider: (1) restricting certain foreign purchases of SPR oil; (2) restricting the purchase of SPR oil by brokers and traders; (3) placing an upper limit on the amount of oil that a buyer can purchase at a given sale; and (4) authorizing a two-pool method of selling SPR oil to assist independent refiners.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Energy should reexamine his position on several issues related to buyer participation in the sale of SPR oil and transmit a report to Congress on them. These issues include: (1) whether any restrictions should be placed on the eligibility of foreign buyers or brokers and traders to buy SPR oil; (2) whether there should be a limit on the amount of oil that a buyer can purchase at a given sale; and (3) whether a two-pool method of selling SPR oil should be used to assist independent refiners. If the results of his reexamination warrant it, the Secretary should also transmit to Congress appropriate amendments to the SPR draw-down plan.

Status: Action taken not fully responsive. While DOE indicated an intent to report to Congress on the GAO concerns, it made no firm commitment, nor did it adequately justify its disagreement with the GAO conclusions.

Emergency Energy Preparedness

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

RCED-85-104, 09/27/85

Background

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

Findings

GAO found that DOE is continuing to develop additional storage capacity at three of the sites and is using a process known as leaching to remove salt deposits at another site. While the SPR was designed so that oil could be withdrawn at any time, DOE has established specific withdrawal rates to be achieved at the completion of each phase. Operational and technical problems exist in pipelines and pumping equipment that may affect the ability to achieve the designed drawdown rate and, although marine growth and debris have reduced the amount of water available to force oil out of storage, DOE has not determined the

impact of this. DOE contractor reports state that there is a high degree of corrosion in one major oil pipeline and uncertainty about the quality of some of the buried piping's ability to hold up under the pressure required for drawdown. DOE has been aware of maintenance, support, and repair problems but has been slow in initiating corrective actions. DOE used a computer model to simulate SPR capabilities for an extended drawdown; however, because of the operational problems and delays in corrective actions, GAO believes that reliance on the computer, which assumes ideal operating conditions, is questionable. Although tests showed that oil can be withdrawn from the sites, the test duration was not long enough to adequately assess equipment reliability.

Open Recommendations to Agencies

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to test the raw

water systems to ensure that drawdown is not limited by inadequate water supplies, after making the planned modifications to the Bryan Mound and West Hackberry raw water lines and the intake channel at Bryan Mound.

Status: Action in process. DOE ran tests of its raw water systems during July and August 1986 to test capacities; however, the tests were not run due to pipeline problems at the sites. DOE has not set a date for the tests.

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office to ensure that ongoing work on the logistics support and automated control systems is satisfactorily completed and that the systems function as designed.

Status: Action in process. Work is nearly completed on the automated control system in question and final acceptance testing is expected by February 1987.

Energy Conservation

Millions Can Be Saved Through Better Energy Management in Federal Hospitals

HRD-82-77, 09/01/82

Background

GAO discussed the potential of federal hospitals to reduce energy consumption and costs through improved energy management.

Findings

GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by nonfederal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most nonfederal hospitals have aggressive energy saving programs, which have resulted in savings around the 20- to 40-percent range. Comparable savings by federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should

result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Open Recommendations to Agencies

The Secretary of Defense should require that the Secretaries of the Army and the Air Force: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 03/90. The services continue to implement these recommendations. Full implementation depends on completion of technical audits of all hospitals. The Department of Defense

(DOD) expects that all audits will be completed within the next several years, assuming that funding support is available.

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 03/90. The Navy continues to implement these recommendations. Full implementation depends on completion of technical audits of all hospitals. DOD expects that all audits will be completed within the next several years, assuming that funding support is available.

Energy Conservation

Low-Income Weatherization—Better Way of Meeting Needs in View of Limited Funds

RCED-86-19, 10/31/85

Background

GAO reviewed low-income weatherization efforts in 17 states that had received over two-thirds of federal low-income weatherization funds in fiscal years 1982 through 1984 to: (1) describe the various weatherization efforts undertaken in selected states and provide data on the future of weatherization in terms of dwelling units weatherized, expenditures, and time frames for weatherizing all eligible units; and (2) examine whether the weatherization program could be more effective if fewer dollars were spent per unit by limiting weatherization to the most cost-effective measures.

Findings

The two main sources of federal weatherization funding are the Department of Energy's (DOE) low-income weatherization program and the Department of Health and Human Services' low-income home energy assistance program (LIHEAP). The DOE program limits the annual average expenditure per dwelling unit in each state to \$1,600 for specific weatherization measures; LIHEAP, a block grant program,

leaves these decisions to the states. GAO found that: (1) it will require from 15 to 100 years to weatherize all eligible dwelling units in 15 of the 17 states studied; (2) states have the option of using more liberal LIHEAP income eligibility criteria which could increase the number of eligible units by about 8 million; (3) states could spend an average, rather than a maximum, of \$1,600 per dwelling which may result in fewer dwellings weatherized; (4) dwellings weatherized in the earlier program years may need reweatherization before all dwellings are initially weatherized; and (5) DOE regulations provide for installing weatherization measures in order of cost-effectiveness on the basis of the cost of materials, installation, lifetime of materials, and the estimated annual fuel savings. GAO believes that establishing a requirement that weatherization investment be repaid in potential energy savings within a specified period of years would: (1) place emphasis on installing the three or four highest and most cost-effective priorities; (2) result in fewer measures being installed per unit; and (3) result in more units being weatherized, resulting in increased total energy savings.

Open Recommendations to Agencies

The Secretary of Energy should consider revising current program regulations governing prioritization of low-income weatherization program measures by establishing payback criteria. This would result in limiting weatherization measures to those that can be repaid through potential energy savings within the specified number of years. The appropriate number of years in the period could be based on a study of similar criteria in other programs and consultation with experts in the area.

Status: Action in process. DOE concurs with this recommendation and is developing a background paper to provide a transition strategy to implement the recommendation. This paper is currently under review.

Energy Information, Policy, and Regulation
Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed

EMD-82-40, 05/25/82

Background

GAO conducted a review to determine the status of federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively Nuclear Regulatory Commission (NRC), Department of Energy (DOE), Department of Defense (DOD), and Environmental Protection Agency (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better federal program administration.

Findings

Nuclear facilities and sites that require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for follow-up action

if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record of their existence. As a result, federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate recordkeeping systems have caused federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action

to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Open Recommendations to Congress

Congress, as part of its oversight and budgetary review responsibilities, may wish to closely evaluate the overall priorities of DOE and work with DOE in revising these priorities to provide a consistent flow of funding for cleaning up the inactive facilities.

Status: Action in process.

Energy Information, Policy, and Regulation
Need To Revise Eligibility Criterion for One Natural Gas Price Category and Eliminate Backlog in Refund Control Work

RCED-83-3, 08/18/83

Background

GAO conducted a follow-on review to assess the accuracy of natural gas well determinations for Natural Gas Policy Act incentive-priced categories to determine whether: (1) prices received by producers and ultimately paid by consumers are in agreement with the

prices prescribed by the act; and (2) procedures are sufficient for making accurate pricing determinations.

Findings

Most of the wells that GAO reviewed were correctly categorized under the act and Federal Energy Regulatory

Commission (FERC) implementing criteria. However, FERC criteria for certain natural gas stripper wells do not meet act requirements. FERC interpretations allow wells which subsequently begin earning a higher return to retain their qualification for this higher price category. The act allows only natural gas which is not produced in conjunc-

tion with crude oil to receive stripper prices because revenues from crude oil production would obviate the need for incentive prices for the low volume of natural gas produced. Consequently, consumers are charged higher prices for this natural gas. FERC has developed a huge backlog in its program to detect and require refunds of overcharges in various categories by natural gas producers because: (1) the staff is unable to keep current with cases received; and (2) a surge of cases was created by closing a loophole in regulations. Although FERC has taken some measures to expedite case processing, it has not been able to process fund reports and cases in a timely manner. This backlog and the associated proc-

essing timelag may allow overcharges to increase, and the eventual refunds may not reach the consumers who paid the charges. The backlog may also present difficulties in effecting an orderly completion of the compliance program when price controls end.

Open Recommendations to Agencies

FERC should take timely and aggressive action to identify the actual size and type of backlog work and the procedural or staffing problems causing the backlog in the refund control program and use this information to eliminate

the backlog of refund reports and cases and keep caseload processing current through the end of Natural Gas Policy Act price controls.

Status: Action taken not fully responsive. Recent initiatives, including procedural improvements, are expected to result in a significant drop in the refund backlog. The approximate 10,000 cases that were in process on September 30, 1986, are expected to drop to about 6,900 on September 30, 1987, and to about 850 on September 30, 1988. If these results are actually achieved, FERC will have brought its refund backlog under control.

Energy Information, Policy, and Regulation

FERC Can Improve Its Operational Performance by Broadening and Deepening Current Management Efforts

AFMD-84-8, 01/30/84

Background

GAO examined the overall operational performance of the Federal Energy Regulatory Commission (FERC) to assess its management of operational performance and to identify opportunities for improvement. Operational performance is measured by timeliness, productivity, and quality of work and is a key indicator of management's effectiveness in using its resources to accomplish its workload.

Findings

Although FERC operational performance has improved since 1980, GAO found the need for further improve-

ment in the areas of productivity and quality. Increases in productivity were significantly less than in previous years and were more moderate than improvements in timeliness. Despite overall gains in productivity, many organizational subdivisions experienced declines. GAO was unable to evaluate the quality of work because FERC has not developed any evaluation criteria but GAO feels that this performance attribute requires attention to improve overall operational performance. FERC improved its timeliness by initiating specific improvement projects and emphasizing the importance of timeliness to all levels of management through techniques such as developing measures, setting goals, and developing a system of accountability.

Open Recommendations to Agencies

The Executive Director, FERC, should develop objective measures for quality. A first step in the process should be to review the 54 FERC activities and identify those that could be measured for quality. Also, in this development process, FERC should review similar organizations' experiences in developing and using quality measures.

Status: Action in process. FERC is attempting to develop objective measures to complement its productivity measures. At present, it has not included them in its quarterly reporting system.

Energy Information, Policy, and Regulation

Department of Energy's Initial Efforts To Implement the Nuclear Waste Policy Act of 1982

RCED-85-27, 01/10/85

Background

GAO reviewed the Department of Energy's (DOE) efforts to implement the Nuclear Waste Policy Act in the areas of: (1) identifying waste disposal sites; (2) financing the waste disposal program through user fees; and (3) establishing an organization to carry out the program.

Findings

GAO found that DOE met its statutory milestones for notifying the affected states that it has identified repository locations for further evaluation. In addition, it completed the final rulemaking action to incorporate siting guidelines into the Code of Federal Regulations. However, DOE does not expect to meet the statutory deadline dates for key decisions in the siting of the first repository because of complexities encountered in preparing required environmental evaluations and testing delays. DOE estimated that the total program costs over the next 50 years will be more than \$20 billion; however, DOE plans for users of the sites to pay these costs. DOE established payment procedures for collecting ongoing and one-

time fees from the users of the repositories. By June 1983, DOE entered into 70 user contracts. Ongoing user fees are expected to be the major long-term source of program revenue. However, DOE has not yet established fees for the reprocessed high-level wastes produced by defense programs and a demonstration program maintained by New York. GAO found that DOE may be able to accelerate millions of dollars in payments from anticipated users of its waste disposal services by accelerating payment periods and raising interest rates. Finally, GAO found that DOE activated the headquarters office for the program; however, the new office lacks direct authority to control the field staffs that execute the program.

Open Recommendations to Agencies

The Secretary of Energy, in exercising his discretionary authority as custodian of the Nuclear Waste Fund, should fully evaluate ways to more promptly collect fees from all generators and owners of highly radioactive materials in the United States. This evaluation should, at a minimum, consider the

possible ways to more promptly collect fees discussed in this report.

Status: Action taken not fully responsive. Of five distinct categories of waste owners or generators, DOE stated that, at this time, because it is not now feasible to make contract amendments, it will not evaluate ways to more promptly collect fees for: (1) commercial entities making ongoing payments into the Nuclear Waste Fund; and (2) commercial entities making one-time payments into the Fund.

The Secretary of Energy should decide what is an appropriate fee to charge the federal government and New York for the disposal of high-level wastes.

Status: Action in process. Estimated completion date: 12/86. DOE is currently developing a fee to charge the federal government for the disposal of defense waste in a commercial repository. DOE stated that, once it establishes the defense waste fee, it will use a similar methodology to establish a fee for New York for the disposal of high-level waste.

Energy Information, Policy, and Regulation

The Department of Energy Should Improve Its Management of Oil Overcharge Funds

RCED-85-46, 02/14/85

Background

Pursuant to a congressional request, GAO examined the adequacy of the Department of Energy (DOE) Economic Regulatory Administration's (ERA) management of funds distributed to states resulting from the collection of overcharges found in audits of oil companies' compliance with regulations controlling the allocation and pricing of crude oil and refined petroleum products.

Findings

GAO found that ERA chose to resolve alleged violations by negotiating settlements with the oil companies and, where the parties injured by overcharges were not identifiable, the oil companies were to make the payments either to an escrow account at the U.S. Treasury or directly to the individual states where the companies do business. DOE redistributes the escrow

account funds: (1) through regulations that establish procedures for determining the proper recipients; and (2) through section 155 of P.L. 97-377, which provides for the direct distribution of funds to the states for use in four energy conservation programs and a low-income home energy assistance program. GAO found that DOE could improve its management of these funds in: (1) the states' use of interest earned on the funds; (2) the states' proposals to demonstrate energy conservation techniques; and (3) ERA computation of the states' shares of the funds. GAO also found that some states, which received direct payments as a result of direct settlements between ERA and the oil companies, may not be using their refunds for restitution to the injured parties. However, DOE maintained that it has the authority to take any action necessary to eliminate or compensate for a violation of its petroleum regulations, including approval of direct payments to the states, instead of referring such

matters to the Office of Hearings and Appeals.

Open Recommendations to Agencies

The Secretary of Energy should have the Administrator, ERA, implement the plans to correct the errors made in calculating the states' shares of the section 155 funds by adjusting the states' future shares of oil overcharge refunds.

Status: Action in process. ERA is in the process of correcting the errors made in calculating the states shares. In some cases, the corrections are being made by adjusting states' future shares of overcharge funds or, if the states choose, by collecting the overpayments from the states.

Energy Information, Policy, and Regulation

Department of Energy Needs To Develop Better Guidance for Settling Oil Overcharge Cases With Long-Term Payment Provisions

RCED-85-120, 08/13/85

Background

GAO reviewed the Department of Energy's (DOE) Economic Regulatory Administration (ERA) audits of oil companies to ensure that they comply with federal petroleum pricing regulations. When an oil company is found to have overcharged for petroleum products, DOE negotiates a settlement agreement

with the company that provides for payments by the company to the government. Pursuant to a congressional request, GAO reviewed agreements that provided for long-term repayment periods to: (1) determine whether DOE had adequate justification for negotiating long-term settlements; and (2) calculate the amount of interest on settlement agreements for which DOE

had only specified the total settlement amount.

Findings

GAO found that: (1) while ERA has the authority to settle oil overcharge cases, it has not issued procedures or guidelines to ensure that its regional

offices adequately analyze oil companies' financial conditions before reaching settlement agreements; (2) for 8 of the 10 long-term settlement agreements reviewed, ERA had not adequately documented financial analyses used in negotiating settlement agreements; and (3) it was difficult to obtain information about the poorly documented agreements because a number of officials involved in negotiating the agreements had left ERA. In addition, GAO found that: (1) the total settlement amount for 20 settlements that did not specify interest amounts was \$41.6 million and included interest charges totalling \$16.8 million; and (2) by not separating interest charges from settlement amounts, DOE overstated the amounts it had accepted as resolution of the alleged pricing violations.

Open Recommendations to Agencies

To provide adequate assurance that the long-term settlement agreements

are equitable and that the companies are able to make these long-term payments, and to provide the opportunity to review the basis for these decisions, the Secretary of Energy should have the Administrator, ERA, develop and implement written standardized procedures or guidelines that require: (1) adequate analyses of oil companies' current and past financial condition; (2) resolution of any questions, concerns, or inconsistencies about the companies' past financial history and the owners' compensation; and (3) adequate documentation of the analyses performed and the basis for the ultimate agreements.

Status: Action in process. On June 30, 1986, the ERA Special Counsel sent a memorandum to its headquarters and field offices containing specific guidelines on when and how to enter into settlements with long-term payment provisions. It appears that, if these guidelines are effectively implemented, the problems identified by GAO will be resolved.

To ensure that each of the DOE agreements accurately states the terms of the settlement, the Secretary of Energy should direct the Administrator, ERA, to issue a written policy requiring that both the principal amount, which settles an oil company's alleged violations, and the interest amount and terms be specified in the settlement agreement. The Administrator should implement this policy for those cases currently being negotiated and for any future settlement negotiations.

Status: Action in process. A responsible DOE official told GAO that it has been DOE policy, although unwritten, for the past 2 years to separately state the principal and interest terms in long-term agreements, and that it has been strictly adhered to. However, to ensure that this practice continues, the ERA Special Counsel plans to document this policy.

Energy Information, Policy, and Regulation

The Nuclear Waste Policy Act: 1984 Implementation Status, Progress, and Problems

RCED-85-100, 09/30/85

Background

Pursuant to the requirements of the Nuclear Waste Policy Act of 1982, GAO reviewed the Department of Energy's (DOE) progress in implementing the act, focusing on: (1) the DOE approach to selecting a waste disposal site; (2) DOE negotiations with states and Indian tribes for consultation and cooperation agreements; and (3) DOE planning for monitored retrievable spent (MRS) fuel storage.

Findings

GAO found that, while DOE achieved several important program objectives

in 1984, such as its issuance of final repository siting guidelines and its initiation of spent fuel demonstration projects, DOE has delayed many actions required by the act because of unrealistic scheduling and inadequate contingency planning. Specifically, GAO found that: (1) delays in the issuance of final siting guidelines occurred because DOE was overly optimistic in its planning; (2) while DOE believes that the act requires that it find only one suitable repository site after final testing, a number of states and other groups have questioned the DOE interpretation and claim that three sites must be found suitable, from which one is to be recommended for a repository;

and (3) the DOE approach may jeopardize the program's success because, if backup sites are not available, a successful legal challenge to a site recommendation could cause a major setback to the program. GAO also found that: (1) DOE has negotiated with only one state and an Indian tribe for consultation and cooperation agreements; (2) other states and tribes are waiting for further DOE siting decisions before entering negotiations; and (3) one issue that could affect acceptance of such agreements is the \$500 million per accident liability limit imposed by law for the nuclear waste activities of DOE and its contractors. In addition, GAO found that it will be difficult for

DOE to develop both MRS facilities and repositories in a timely manner because the two parts of the program compete for limited staff and financial resources.

Open Recommendations to Congress

If Congress decides greater conservatism in siting the first repository is needed to provide backup sites, several available options include: (1) confirming the need for alternative sites, but approving DOE testing plans; (2) requiring additional testing prior to the DOE recommendation of three sites for characterization; (3) directing DOE to characterize more than three sites; or (4) directing DOE to modify its site characterization approach by first testing and then characterizing more than three sites.

Status: Action not yet initiated.

If the Price-Anderson Act is extended, Congress should increase the act's limits on liability and indemnification for nuclear incidents involving high-level radioactive waste activities.

Status: Action not yet initiated.

Open Recommendations to Agencies

To reduce the risks to the waste management program of delays if a selected site cannot be successfully characterized, the Secretary of Energy should prepare contingency plans identifying which site or sites would be considered as backup sites to the three recommended for testing and how, and under what circumstances, that site or sites would be tested.

Status: Recommendation valid/action not intended. DOE stated that it

believes the specific plans GAO recommended are unnecessary and could be counterproductive.

To assist Congress in its deliberations on whether to authorize construction of MRS facilities, the Secretary of Energy should explain to Congress, in the January 1986 MRS proposal, how DOE will ensure that an MRS project would operate within the Office of Civilian Radioactive Waste Management so as not to impede progress of the repository program.

Status: Action not yet initiated. DOE stated that it will provide a program plan with its MRS proposal to Congress that will provide the recommended information; however, due to litigation, DOE was prohibited from submitting this information to Congress.

Energy Information, Policy, and Regulation

Hydropower Impacts on Fish Should Be Adequately Considered

RCED-86-99, 05/20/86

Background

Pursuant to a congressional request, GAO reviewed: (1) the adequacy of the 30-day period that agencies are given to request a hearing after the Federal Energy Regulatory Commission (FERC) issues an order authorizing the construction and operation of a hydroelectric project; and (2) the FERC role in determining whether fish-protection measures are working properly.

Findings

GAO found that: (1) federal and state fish and wildlife officials often did not receive FERC orders until 2 weeks after issuance; (2) when these delays occurred, officials selectively responded

to the projects with the largest impacts and interrupted their operations to prepare timely requests for hearings; (3) about one-third of the 30-day period is used for printing, distribution, and mailing processes; and (4) although the Federal Power Act (FPA) allows FERC 30 days to respond to the construction of a hydroelectric project, FERC could increase its response time by reducing processing and mailing time. GAO also found that: (1) FERC inspectors do not have the expertise to determine how well fish-protection measures were working; and (2) although FERC relies on state agencies to perform this function, it does not have formal working agreements with state agencies and, therefore, it is difficult to determine the

extent to which fish protection measures are working.

Open Recommendations to Agencies

To ensure that federal and state fish and wildlife agencies in the Northwest have sufficient time to review and respond to FERC orders on hydroelectric projects, the Chairman, FERC, should have the Director, Office of Hydropower Licensing, implement alternatives which would allow interested parties more time within the 30-day period. Such alternatives might include: (1) expediting the processing

and mailing of orders impacting the Northwest; (2) accepting a rehearing request if postmarked within 30 days of issuance; and (3) designating its Portland, Oregon office as the official receiving point for such requests.

Status: Action in process. FERC agreed that the 30-day time period should be expanded, but does not consider the suggested GAO alternatives to be practicable. FERC is considering another alternative to eliminate weekends and holidays from the 30-day period computation, which would be permitted by the recently enacted Consumers Protection Act of 1986. GAO

believes that this would implement this recommendation.

To fulfill its responsibilities under FPA for protecting fish, the Chairman, FERC, should have the Director, Office of Hydropower Licensing, enter into written working agreements with fish and wildlife agencies in those states with significant fish populations potentially impacted by hydroelectric dams. These agreements should specify: (1) to what extent FERC will rely on the agencies to ensure that fish-protection measures are working properly; and (2) how FERC and the agencies will coordinate their respective activities, includ-

ing inspections and sharing reports, analyses, and other pertinent data.

Status: Action in process. FERC agreed with the objective of this recommendation, but believes that alternative action would be more fruitful. FERC plans to bolster its inspection program and encourage state agencies to supplement the program by reporting any suspected violations. FERC is considering: (1) a telephone hot-line; and (2) encouraging state officials to accompany FERC personnel on site inspections.

Energy Information, Policy, and Regulation

Department of Energy: Allegations About the Director of the Office of Minority Economic Impact

RCED-86-95, 06/12/86

Background

Pursuant to a congressional request, GAO investigated various allegations against the former Director of the Department of Energy's (DOE) Office of Minority Economic Impact (OMEI), focusing on allegations that the Director: (1) proposed a reduction-in-force (RIF) to retaliate against the two affected employees; (2) claimed travel expenses for trips not related to government business; and (3) misused government telephones and vehicles.

Findings

GAO found that: (1) there was no direct evidence to support the allegation that the Director proposed the RIF to retaliate against employees; (2) there was substantial circumstantial evidence supporting the view that retaliation was a significant factor in her decision to propose a RIF; (3) the Director failed to follow established DOE RIF procedures in proposing, conducting, and notifying the employees of the RIF; (4) the Director made a number of trips to

her home state and there were discrepancies between her itineraries and vouchers regarding the purposes of the trips and the length of stay necessary to accomplish official business; (5) on one occasion, an OMEI grantee improperly paid the Director's hotel bill; (6) the Director extensively used federal telephones for what appeared to be personal calls; (7) the Director used DOE vehicles and drivers for a number of trips that may have been related to personal business; (8) there was little support for an allegation that the Director used OMEI staff and supplies to conduct personal business; and (9) there was no evidence that the Director engaged in illegal contracting activities.

Open Recommendations to Agencies

The Secretary of Energy should request the Inspector General to determine the extent to which the Director's trips were personal, and whether regulations

covering conflict of interest, salary, and appropriation augmentation were violated. Based on these determinations, the Secretary should take cost recovery and other actions, as appropriate.

Status: Action in process. The Inspector General has not completed his review based on this recommendation, and will not speculate on a target completion date.

The Secretary of Energy should request the Inspector General, DOE, to determine the extent to which the Director made use of long-distance telephone lines and the motor pool for personal use at government expense, and recover any such expenses, as appropriate.

Status: Action in process. The Inspector General has not completed his review based on this recommendation, and will not speculate on a target completion date.

Energy Information, Policy, and Regulation
DOE Should Ensure Oil Industry Retains Records To Resolve Violations

RCED-86-153, 08/18/86

Background

In response to a congressional request, GAO provided information on the Department of Energy's (DOE) development and implementation of the Economic Regulatory Administration's (ERA) rule amending the recordkeeping requirements for the oil industry to determine whether DOE: (1) risked the loss of records needed to resolve alleged violations by issuing the rule in January 1985; and (2) had an adequate basis for selecting June 30, 1985, as the cut-off date for certain firms to retain their records. GAO also reviewed one oil producer's efforts to have DOE significantly reduce the oil industry's recordkeeping burden, specifically whether correspondence between executive branch officials and DOE should have been included in the public file.

Findings

GAO found that: (1) DOE issued its amended rule in January 1985 because it mistakenly believed that it would subsequently have difficulty enforcing its recordkeeping requirements; (2) since DOE failed to document and coordinate the actions it took to identify which oil firms should retain records and which records they should retain, some firms may have destroyed records needed for enforcement proceedings; (3) DOE unrealistically selected the June

30, 1985, cut-off date for certain firms to retain their records before it had completed its enforcement program; (4) it could not determine to what extent the oil producer's correspondence influenced the rulemaking process; and (5) the correspondence between the executive branch and DOE was not required to be part of the public file since it did not directly respond to ongoing DOE rulemaking or a DOE request for approval of the recordkeeping requirement.

Open Recommendations to Agencies

To ensure that the records still needed for the ERA enforcement program are being retained by the oil firms, the Secretary of Energy should direct the Administrator, ERA, to determine which of the 19 third-party firms that did not receive notification letters still need to retain records, and appropriately notify those firms.

Status: Action not yet initiated. At the request of the Chairman, Subcommittee on Oversight and Investigations, the report was not released to DOE until October 27, 1986. Therefore, DOE has not had the opportunity to respond to this recommendation.

The Administrator, ERA, should determine whether the 80 letters to the third-party firms whose letters were not adequately supported by ERA documentation were accurate. If the letters were not accurate, the firms should be notified of the correct recordkeeping requirements.

Status: Action not yet initiated. At the request of the Chairman, Subcommittee on Oversight and Investigations, the report was not released to ERA until October 27, 1986. Therefore, ERA has not had the opportunity to respond to this recommendation.

To help ensure that all relevant records are being retained by the oil firms, the Secretary of Energy should direct the Administrator, ERA, to determine which of the firms that were not notified of their recordkeeping status still need to retain their records, and resume efforts to locate and inform the firms accordingly.

Status: Action not yet initiated. At the request of the Chairman, Subcommittee on Oversight and Investigations, the report was not released to DOE until October 27, 1986. Therefore, DOE has not had the opportunity to respond to this recommendation.

Energy Supply

Improvements Needed in the Department of the Interior's Measurement of Offshore Oil for Royalty Purposes

RCED-84-78, 04/30/84

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's activities relating to the measurement of oil produced on the Outer Continental Shelf. The review focused on: (1) identifying the procedures Interior uses to ensure that offshore oil production is measured accurately for royalty purposes; (2) determining whether offshore operators are complying with regulations concerning the accuracy of production measurement devices; (3) determining whether Interior uses production measurement data to ensure that sales volumes are reported accurately; and (4) reviewing the extent to which data are being considered for inclusion in the new Automated Royalty Management Program.

Findings

GAO found that, although regulations require that offshore operators test production measurement devices and report test results to Interior on a monthly basis, the Minerals Management Service (MMS) did not receive approximately 30 percent of the required reports during 1982. Further, MMS did not: (1) identify from test results some meters that were not functioning properly; (2) follow up on meters that were reported as operating

improperly; or (3) take corrective measures such as adjusting reported sales volumes for federal royalty purposes. MMS officials attributed the lack of control over test results to a shortage of personnel and indicated that an automated system for receipt, review, and follow-up of information might be the solution. Although Interior is developing two nationwide automated royalty management systems, it does not plan to include detailed meter-testing data to verify the accuracy of offshore oil sales volumes in either system. MMS plans to include this type of data in its regional automated information system which may be used in conjunction with the nationwide systems. GAO believes that further measures will be needed in conjunction with the automated systems to fully ensure that accurate data are being used to compute royalties.

Open Recommendations to Agencies

To better ensure that sales volumes are accurately reported for royalty payment purposes in the Gulf of Mexico Region, the Secretary of the Interior should require the Director, MMS, to implement plans for improved receipt and review of meter-testing reports and make greater use of the data it receives for this purpose. Through the use of additional staff recently assigned and

adoption of automation, to the extent possible, meter-testing reports should be matched with run tickets on a selective basis.

Status: Action in process. Interior has matched a sample of meter-testing reports to run tickets. Currently, it is trying to reconcile the differences.

When the Auditing and Financial System and the Production Accounting and Auditing System (PAAS) becomes fully operational, the Secretary of the Interior should require the Director, MMS, to use the meter-testing and run ticket data from its Gulf of Mexico Region's automated information system in conjunction with PAAS to verify that reported sales volume measurements are accurate by matching meter-testing reports with run tickets as a routine audit procedure.

Status: Action in process. Interior has begun a study to determine how the royalty management system or other mechanisms can be improved to help ensure that reported sales volumes are accurately measured. It is studying whether to manually sample run tickets or to computerize the data in order to complete a 100-percent verification of the meter-testing reports with run tickets.

Energy Supply

Further Actions Needed To Improve Emergency Preparedness Around Nuclear Powerplants

RCED-84-43, 08/01/84

Background

GAO reported on the adequacy of federal, state, and local offsite emergency planning and preparedness for mitigating the consequences of a nuclear power plant accident.

Findings

GAO concluded that, although progress was made since the Three Mile Island accident in 1979, more can and should be done. GAO found that state and local emergency preparedness plans were developed and tested for all 54 operating nuclear power plant sites, and 24 of these met the federal criteria and were approved by the Federal Emergency Management Agency (FEMA). The reasons that the remaining plans have not been approved relate to their not meeting federal criteria, some local communities not fully participating in the emergency planning process, and the difficulty some state and local governments experienced in obtaining funding for emergency planning and preparedness. In addition, GAO found that improvements are needed in the exercises conducted to test the adequacy of state and local planning and preparedness. FEMA and the Nuclear Regulatory Commission (NRC) rely on states and utilities to plan preparedness tests, but FEMA does not verify the compliance of preparedness plans with federal criteria, and it does not have an agencywide tracking system for ensuring that deficiencies are identified. Finally, GAO found that agencies need to provide better guidance to state

and local governments for developing state and local emergency preparedness plans, and that the federal response plan for nuclear power plant emergencies can be improved by providing for more centralized federal agency control and coordination.

Open Recommendations to Congress

Congress may wish to consider whether stronger central control of the federal response to a nuclear power plant emergency is needed to improve federal coordination in such an emergency. If such central control is to be established, any proposed legislation would need to designate a federal agency to exercise the control. The proposed legislation should also provide the controlling agency the authority to require periodic exercises of the federal response plan in each region in conjunction with state and local exercises.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director, FEMA, should, in consultation with states, develop minimum requirements for exercise scenarios and identify which elements of the federal criteria are most important and must be given priority in exercises.

Status: Action in process. FEMA participated in a project to develop exercise objective priorities, and is working with NRC to develop a guidance document on exercise scenario development for states and local communities.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to update and expand guidance on using radiation measurement instruments and interpreting the information obtained.

Status: Action in process. The Coordinating Committee's Emergency Instrumentation Subcommittee, supported by a FEMA contract with the Westinghouse Idaho Nuclear Company, has developed and issued six guides since April 1984.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to improve existing radiological emergency training for state and local officials.

Status: Action in process. Through a FEMA contract, the Coordinating Committee's Training and Exercise Subcommittee is interviewing federal, state, and local personnel to determine current levels of radiological training. FEMA is analyzing current guidance to identify required skills and knowledge.

Energy Supply

Management Weaknesses Affect Nuclear Regulatory Commission Efforts To Address Safety Issues Common to Nuclear Power Plants

RCED-84-149, 09/19/84

Background

GAO examined the Nuclear Regulatory Commission's (NRC) efforts to address safety issues common to nuclear power plants and determined if NRC has corrected earlier management weaknesses highlighted in investigation reports of the March 1979 accident at the Three Mile Island (TMI) power plant.

Findings

GAO found that NRC, as a result of the earlier identified safety issues, has increased the rate at which it develops regulatory solutions for these issues. This more vigorous pace, however, has been overshadowed by the identification of new issues from the TMI accident and other sources. As a result, a larger backlog of unresolved issues exists now than before the accident. GAO also found that NRC has improved its methods for identifying safety issues and determining their importance to safety. NRC does not, however, have sufficient management controls in place to ensure the timely resolution of issues and implementation of appropriate changes to affected nuclear plants and to NRC regulatory procedures.

Open Recommendations to Congress

Congress may wish to amend the Energy Reorganization Act of 1974 to expand current reporting requirements to include all safety-related generic issues assigned a high-priority ranking.

Status: Action not yet initiated.

Congress may wish to amend the Energy Reorganization Act of 1974 to require that the NRC annual report summarize the total number of generic issues identified, resolved, implemented, and fixed.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Chairman, NRC, should analyze overlapping generic issues to better define issue priority.

Status: Action in process. NRC agreed with this recommendation and stated that it will continue to look for cost-effective ways to consider the interdependence of issues on priority rankings.

The Chairman, NRC, should assess ways to eliminate the backlog of unresolved generic issues sooner than is currently planned. The Chairman should also determine whether adequate resources are available within the agency for this purpose. If adequate resources are not available, the Chairman should consult with the NRC congressional oversight committees to work out a mutually agreeable timetable and the necessary resources.

Status: Action in process. NRC said that, based on existing and requested

resources, issues identified and prioritized by October 1984 will be resolved by October 1987, and new issues will be resolved within 3 years of their prioritization. NRC added, however, that potentially sharp budget cuts under consideration could seriously affect this schedule.

The Chairman, NRC, should change the generic issue management information system to maintain issue identity through resolution to ensure that these efforts correlate with issue priority.

Status: Action in process. NRC agreed with this recommendation and said that it has begun action to implement it. NRC added that it intends to complete this effort in 1987.

The Chairman, NRC, should develop a multiplant action priority system to ensure that NRC gives priority attention to those actions most important to safety.

Status: Action in process. Action is underway to implement this recommendation. NRC stated that a report on the prioritization of 38 multiplant actions was completed in October 1984, and all future actions will be routinely prioritized by its management committee to review new generic requirements. In a subsequent review, GAO noted that the committee is routinely prioritizing new requirements.

Energy Supply

Better Inspection Management Would Improve Oversight of Operating Nuclear Plants

RCED-85-5, 04/24/85

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) management of its operating nuclear power plant inspection program, including: (1) the NRC response to investigative findings concerning the Three Mile Island accident in 1979; (2) documentation for inspection program policies and procedures; and (3) the design and management of the inspection program. To oversee nuclear power plant operations, NRC maintains resident inspectors at each plant to observe daily operations and uses regional inspectors to perform specialized inspection functions.

Findings

GAO found that: (1) many of the NRC inspection personnel and utility officials surveyed believe that the inspection program has improved since the Three Mile Island accident; and (2) most of the individuals surveyed believe that utilities comply with federal regulations and that the inspection program ensures safe nuclear plant operations. However, GAO also found that: (1) despite increasing inspection requirements, the average annual inspection time per plant decreased in 1983; (2) about 40 percent of the inspectors surveyed believe that they do not have enough time to ensure compliance with regulations; and (3) most survey respondents believe that NRC should increase its inspection resources. In addition, GAO found that the effectiveness of the inspection program is not as high as it should be because NRC does not: (1) use utility industry reports of plant operating experiences to refine inspection procedures or identify needs to readjust inspection priorities; (2) correlate inspection procedures with functional areas identified in annual power

plant performance assessments; or (3) use evaluations prepared by utilities and the Institute for Nuclear Power Operations (INPO) in inspection program planning. GAO also found that: (1) some NRC inspection procedures are nebulous and need revision; (2) many inspectors believe that they have not received certain mandatory training designed to increase their familiarity with industry standards; and (3) inspectors do not always receive required training because of heavy work loads and inadequate resources.

Open Recommendations to Agencies

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use information available in the inspection data base to plan and monitor inspections at specific power plants. Analyses of the various types of inspections that are and are not being performed, as well as the frequency of violations detected, should be included in this process.

Status: Action in process. NRC stated that it is evaluating proposed periodic reports. NRC did not specify a completion date.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should formally correlate the inspection procedures with the functional areas used in annual plant assessments.

Status: Action in process. NRC agreed with this recommendation and has undertaken two efforts to implement

it. They include correlating inspection procedures with functional areas and upgrading related inspection policies and guidance. The first of several planned updates in the guidance area occurred on November 5, 1985.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use risk-based analyses, as appropriate, to aid in evaluating overall inspection program and individual power plant priorities by identifying plant operations and inspection procedures that are most clearly related to control of public risk.

Status: Action in process. NRC agreed and committed to conducting studies and research and providing training to inspectors to enhance the use of risk-based analyses in the inspection program. This will, however, be a long-term effort.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use the reports and analyses discussed above to prepare written inspection plans for each plant.

Status: Action in process. In May 1985, NRC agreed and committed to develop a policy on the make-up and use of site-specific inspection plans, including the use of assessment results in developing inspection plans.

Because NRC has reduced the number of its performance appraisal team inspections in recognition of similar INPO evaluations, the Chairman, NRC, should also compile and maintain a list of all INPO evaluation reports and

those reports released by utilities to NRC.

Status: Recommendation valid/action not intended. Because INPO reports are available to NRC inspectors at plant sites, NRC does not consider it necessary to compile a duplicate list. NRC added that selected INPO reports are often duplicated and evaluated in detail by NRC headquarters and regional inspection officials.

Because NRC has reduced the number of its performance appraisal team inspections in recognition of similar INPO evaluations, the Chairman, NRC, should also establish criteria for determining when the number of NRC performance appraisal team inspections should be increased or decreased in relation to NRC success in obtaining INPO evaluation reports.

Status: Recommendation valid/action not intended. NRC stated that ade-

quate methods exist to monitor INPO evaluations without increasing the number of performance appraisal team inspections or requiring that NRC obtain copies of all INPO reports. These methods include NRC accompaniment on INPO evaluations, periodic briefings by INPO management, and access to INPO reports.

Energy Supply

The Department of the Interior's Office of Surface Mining Should More Fully Recover or Eliminate Its Costs of Regulating Coal Mining

RCED-85-33, 05/28/85

Background

GAO reported on: (1) the costs that the Department of the Interior's Office of Surface Mining (OSM) incurs for regulating coal mining; (2) measures which OSM could use to recover or reduce these costs; and (3) the impact that recovering these costs would have on coal production and demand.

Findings

GAO found that OSM spent approximately \$65.4 million in fiscal year 1984 to regulate coal mine operations. About \$51.5 million was allocated to program administration and state grants for regulating mining on federal, state, and private lands. OSM spent another \$13.9 million for research, oversight, and other activities in support of both its own and state regulatory programs. About \$29 million was

recovered through permit fees. GAO believes that OSM should assess coal mine operators the actual costs it incurs to review, administer, and enforce permits to mine on federally regulated land which could result in about \$9.3 million in recoveries. GAO found that state fees are generally well below OSM costs and that the grants which the states receive fail to provide an incentive for the states to recover their costs directly from operators. Therefore, GAO believes that OSM should phase out or substantially reduce grants to states. If this were done, OSM could save up to \$42.2 million annually. However, recovery of support costs for research, oversight, and other activities would require the enactment of special tax legislation. Finally, GAO found that the recovery of all of the costs would have little effect on the national coal demand or result in little change in coal production areas. Although production

costs would increase, if these costs were fully reflected in price, demand for coal would be unaffected because it would still be the least expensive fuel used for electrical generation.

Open Recommendations to Congress

If Congress believes that support costs should be recovered, it may wish to consider enacting a special tax on coal operators. The tax would be based on a formula calculated to recover the costs incurred by Interior in overseeing state programs, providing technical assistance, and for its other support activities.

Status: Action not yet initiated.

Energy Supply

Early Assessment of Interior's Area-Wide Program for Leasing Offshore Lands

RCED-85-66, 07/15/85

Background

Pursuant to a congressional request, GAO discussed the impact of recent areawide sales for leasing offshore lands, including the Department of the Interior's: (1) new bid-acceptance procedures for ensuring that it receives fair market value for leased offshore lands; and (2) streamlined presale planning process for providing states and others affected by offshore activities an opportunity to participate in the process.

Findings

GAO found that: (1) more offshore lands have been leased and exploration is progressing at a faster rate under the areawide program; (2) the stepped-up pace of areawide leasing, by itself, significantly decreased competition and government bid revenues for individual

tracts; (3) the shift to areawide leasing was responsible for an average reduction in bids of \$541 per acre leased; and (4) bid revenues have comprised about 67 percent of the total direct revenues received by the government. GAO noted that the estimated value of each tract was the primary criterion that Interior used to ensure receipt of fair market value; however, because of the large increase in the number of tracts leased, Interior adopted a two-phase bid-acceptance process. During the first phase, Interior awards leases to the higher bidder for tracts receiving adequate competition, and the second phase estimates the value of the tracts not leased during the first phase. GAO also found that: (1) Interior should use its estimates of tract value for assessing the reasonableness of high bids; (2) Interior's past experience showed that relying solely on the receipt of three or

more bids did not ensure that the high bid exceeded its estimates of fair market value; and (3) Interior's streamlined presale planning process has reduced the time needed to prepare a sale from about 40 months to 20 months.

Open Recommendations to Congress

Congress should consider whether a need exists for requiring Interior to annually assess and report on the cumulative effects of the offshore program on the human, marine, and coastal environment.

Status: Action not yet initiated.

Energy Supply

The Nuclear Regulatory Commission Should Report on Progress in Implementing Lessons Learned From the Three Mile Island Accident

RCED-85-72, 07/19/85

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) implementation of the Three Mile Island Action Plan to improve the operation and regulation of commercial nuclear facilities and the progress made by utility companies that operate nuclear power plants.

Findings

GAO found that: (1) most of the work on the Action Plan has been completed; (2) NRC assigned a higher priority to items considered to have the greatest potential for improving safety in the shortest time and at the lowest cost; and (3) utilities have completed 84 percent of the Action Plan tasks at the 51 plants where information was

obtained. GAO noted that: (1) NRC does not plan to complete 20 of the 31 tasks because it considered the tasks to be low in priority; and (2) NRC merged the incomplete Action Plan tasks with generic issues into one management system, which replaced the Action Plan as a current statement of the actions necessary to improve nuclear power plant operations and regulation. GAO also found that: (1) the consolidation of all safety issues was reasonable

because it allowed NRC to focus its work on the issues most important to safety regardless of how the issues were identified; (2) NRC has moved away from tracking the Action Plan; and (3) NRC should publicly report on the accomplishments of the plan and show how incomplete tasks will be pursued and reported on under the new management system.

Open Recommendations to Agencies

To inform Congress on utilities' and NRC progress in implementing the Three Mile Island Action Plan, the Chairman, NRC, should report to Congress a one-time, item-by-item accounting of the 176 items listed in the Action Plan.

Status: Action in process. Estimated completion date: 01/87. In a September 19, 1985, letter, NRC stated that efforts are already underway to provide a one-time report to Congress accounting for the status of the 176 items in the Action Plan. NRC did not, however, indicate when the report will be issued. NRC officials stated that they expect to finalize the report by January 1987.

Energy Supply

Oversight of Quality Assurance at Nuclear Power Plants Needs Improvement

RCED-86-41, 01/23/86

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) efforts to: (1) identify declining performance trends in the operation of nuclear power plants that indicate the need for corrective action by utilities; and (2) require utilities to upgrade quality assurance programs when deficiencies are observed.

Findings

GAO found that NRC assessments have provided the agency and utilities with a useful perspective on the total operational effectiveness of nuclear power plants; however, they are limited in scope and could be more useful in promoting early detection of utility management weaknesses if the agency expanded the analyses and the way the assessment reports are used. In addition, GAO found that: (1) NRC decisions to require 12 utilities to upgrade their management capabilities and performance generally followed either numerous inspection violations or equipment failures; (2) these decisions were not made on a consistent basis because of the discretionary authority granted to regional offices and lack of criteria to mandate improvement programs or document why they are not warranted; (3) NRC could improve the use of the individual assessment reports, which identify utility man-

agement weaknesses by analyzing the results of the assessments over a number of years; and (4) NRC could gain a more accurate picture of how well a utility operates its nuclear plants by including plant operating data and reports of safety or operating incidents in its periodic assessments.

Open Recommendations to Agencies

The Chairman, NRC, should establish assessment-related criteria that, when met, would require the agency to either mandate a utility management improvement program or document the reasons why such a program is not warranted.

Status: Action taken not fully responsive. NRC elected to achieve the same result through different means. Since NRC issued a December 12, 1985 proposal articulating the appropriate action to be taken based on different power plant assessments, it has implemented some new initiatives to identify and address emerging performance problems and made arrangements for Inspection Enforcement management participation in SHLP evaluations.

The Chairman, NRC, should expand the information considered in periodic

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assessments to include readily available data on trends in nuclear power plant operating performance.

Status: Action in process. Estimated completion date: 12/86. The Executive Director for Operations requested the staff to develop an integrated plan for development and use of power plant performance indicators. NRC staff presented the Commissioner with a paper recommending that NRC approve a plan on performance indicators. Under the plan, NRC would increase its surveillance and inspection of plants. Four of the five commissioners approved the plan.

The Chairman, NRC, should, include in the agency's assessment deliberations on a utility's quality program and administrative controls performance, the results of its assessments in the other nine technical areas.

Status: Action taken not fully responsive. The Office of Inspection and Enforcement planned to issue additional power plant assessment procedures, which clarified the broad management control-oriented definition and assessment procedures. On July 28, 1986, the Director issued additional procedures; however, the procedures did not specifically address the recommendation.

Energy Supply

Nuclear Waste: Department of Energy's Program for Financial Assistance

RCED-86-4, 04/01/86

Background

GAO evaluated the Department of Energy's (DOE) program to provide grants under the Nuclear Waste Policy Act of 1984, focusing on: (1) DOE decisions on who received grants and for what activities; (2) the level of assistance provided; and (3) DOE grant administration and oversight.

Findings

The act provides that state and public participation in the repository program is essential to promote public confidence in the safety of radioactive waste disposal. Financial assistance grants to the affected parties are a way to ensure this participation. DOE has used its discretionary funding authority to award grants to second repository states, national associations, and Indian tribes. The guidelines which provide general policy guidance for grant awards and administration of the repository programs have not ensured consistent decisions on who receives grants and what activities are funded. In some instances, DOE decisions on grant awards have been influenced more by budgetary considerations than by a grantee's needs. GAO believes that: (1) incorporating consideration of grantees' projected needs into program budget planning could help DOE more realistically anticipate those needs; (2) congressional oversight of the financial assistance program could be better facilitated if DOE presented specific budget estimates on the funding

it expects to provide for the first and second repository programs and other parties; and (3) with more realistic budgets, DOE could focus on grantee application merits in making funding judgments. Although DOE regulations describe the grantee requirements and provide an opportunity to request a waiver of the requirements, grantees have neither consistently complied with nor requested waivers of the requirements, and DOE has not enforced them.

Open Recommendations to Agencies

To help ensure consistent program evaluation, the Secretary of Energy should direct the Director, Office of Civilian Radioactive Waste Management (OCRWM), to better define what activities should be funded in OCRWM internal grant guidelines for first-and second-repository states.

Status: Action in process. OCRWM drafted financial assistance policy guidelines and internal general guidelines for implementing this financial assistance. OCRWM wants comments from involved states and tribes before finalizing the guidelines.

To assist Congress in its oversight of the DOE financial assistance program under the act, the Secretary of Energy should specify, in future budget requests for the Nuclear Waste

Fund, grant funding for the first repository program, second repository program, and other parties. The Secretary should also survey grantees as to their projected needs for the budget period, in order to make appropriate financial assistance estimates.

Status: Action in process. Estimated completion date: 01/87. DOE intends to specify grant funding as a separate item in its fiscal year (FY) 1988 budget request to be submitted in January 1987. OCRWM will direct its project offices to survey their eligible recipients for funding needs estimates to be included in the FY 1987 budget request.

To ensure management control over grant awards, the Secretary of Energy should ensure compliance with the requirements of DOE financial assistance regulations. These requirements could, of course, be waived if DOE determines that the conditions for granting a waiver are present.

Status: Action in process. OCRWM provided training in July 1986 to its staff administering financial assistance to ensure that they comply with DOE regulations. OCRWM instructed project offices to take actions to enforce compliance. DOE does not intend to seek a waiver of the requirements.

Financial Management and Information Systems

Department of Commerce's Second-Year Efforts To Implement the Federal Managers' Financial Integrity Act

RCED-86-21, 11/05/85

Background

GAO reviewed the Department of Commerce's second-year implementation of the Federal Managers' Financial Integrity Act and assessed: (1) Commerce's progress in implementing actions to correct internal control weaknesses and in improving its internal control evaluation process; (2) Commerce's progress in correcting accounting systems' areas of nonconformance with the Comptroller General's principles and standards and in improving its evaluation of accounting systems; and (3) the reasonableness of the Secretary's annual report on internal controls and accounting systems.

Findings

GAO found that, although Commerce is acting to correct internal control problems and its evaluation process for internal controls, it needs to strengthen its process for assessing vulnerabilities and testing. The Secretary's report identified material weaknesses in its economic development business loan program and property management system and outlined plans to correct them. Commerce made progress in establishing processes to evaluate its internal controls by: (1) issuing guidelines for evaluating and reporting on internal control systems; (2) conducting quality assurance reviews; and (3) establishing a tracking system for corrective actions. However, because the forms Commerce used to conduct vulnerability assessments were general and did not always include risks specific to the assessed activity, its vulnerability assessments did not fully identify and describe the significant risks. GAO also found that: (1) some reviews did not completely test accounting systems to determine whether they operated as intended; and (2) quality assurance evaluation reviews were conducted after

testing was completed. GAO believes that Commerce is not in a sound position to accurately determine overall system conformance since most of its systems were not adequately tested in operation.

Open Recommendations to Agencies

The Secretary of Commerce should direct the Assistant Secretary for Administration to revise Commerce's segmentation guidelines to specify criteria for determining when automatic data processing (ADP) should be considered a separate assessable unit.

Status: Action in process. Estimated completion date: 02/87. Commerce drafted guidance which contains specific criteria for segmenting assessable units containing major ADP activities and for reviewing Commerce's major ADP sites. Commerce plans to issue guidance during the first half of fiscal year (FY) 1987.

The Secretary of Commerce should direct the Assistant Secretary for Administration to require managers to identify specific risks and controls associated with their activities on their vulnerability assessment forms.

Status: Action in process. Estimated completion date: 02/87. Revised Office of Management and Budget (OMB) Circular A-123 now permits either a vulnerability assessment or an alternative procedure which will identify potential risks in operations. Commerce opted to use the alternative procedure not involving the vulnerability assessment forms. Criteria for managers to use to identify these risks should be issued about February 1987.

The Secretary of Commerce should direct the Assistant Secretary for Administration to require that managers, in determining a numerical average for their vulnerability, weigh identified risks according to their importance to the assessed unit.

Status: Action in process. Estimated completion date: 02/87. The criteria Commerce plans to issue in February 1987 will help managers identify risk according to their importance to the assessed unit.

The Secretary of Commerce should direct the Assistant Secretary for Administration to provide criteria for evaluating ADP activities, data center operations, data origination, input, and processing.

Status: Action in process. Estimated completion date: 10/87. During FY 1987, Commerce will work with the A-130 staff to fully implement specific evaluation criteria for reviewing major ADP sites and major systems applications.

The Secretary of Commerce should not report that the Department's accounting systems are in conformance with the Comptroller General's requirements until they have been adequately evaluated in operation.

Status: Recommendation valid/action not intended. Commerce's position is that its reviews provide reasonable assurance that the accounting systems, taken as a whole, meet GAO principles, standards, and related requirements.

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

AFMD-86-33, 03/19/86

Background

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

Findings

GAO found that: (1) CPA's did not satisfactorily comply with auditing standards on 34 percent of the governmental audits they performed; (2) more than half of the unsatisfactory audits had severe standards violations; (3) two predominant CPA problems were insufficient audit work or working paper evidence showing testing of compliance with laws and regulations and evidence showing studies and evaluations of internal controls; and (4) smaller CPA firms had greater problems

than larger firms in satisfactorily complying with standards. GAO believes that, to improve the quality of governmental audits: (1) CPA's must have the expertise to perform governmental audits; (2) the profession should develop and maintain positive enforcement programs to randomly or periodically review CPA's who perform poor quality audits; (3) the profession should work actively with the inspectors general (IG) to improve the systems that IG have for reviewing, compiling, analyzing, and using data on individual audits to identify and correct trends or patterns of quality problems; and (4) state boards of accountancy and the American Institute of Certified Public Accountants should act promptly and decisively to address professional standards violations referred to them.

Open Recommendations to Agencies

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

Status: Action in process. OMB assigned responsibility for implementing the recommendation to the President's Council on Integrity and Efficiency. The Council plans to issue revised guidelines for recording and reporting substandard audits in January 1987. After issuance of the revised guidelines, uniform procedures and criteria for disallowing the costs of substandard audits will be developed.

Stronger Financial Internal Controls Needed Over Court Resources

GGD-86-45, 04/29/86

Background

GAO performed a general risk assessment of selected financial operations of the Administrative Office of the U.S. Courts to: (1) identify the strengths and weaknesses in its internal controls; and (2) assess the risk of waste, loss, or misuse of funds and property.

Findings

GAO found that, although the Administrative Office (AO) and the courts have taken several positive actions to improve internal controls, AO needs to: (1) develop a plan to bring all courts into compliance with generally accepted internal control principles; (2) promote the use of newly developed operating procedures; (3) assist the courts in implementing the procedures; (4) authorize additional courts

to use public accounting firms to assist them in developing sound internal control procedures; (5) improve collection practices over petty offense forfeiture payments at potentially less cost with greater state coordination and the use of lockboxes; (6) enhance court disbursements through more specific guidelines, compliance with existing procedures, and improved management oversight; (7) work with court managers to ensure that they understand and maintain adequate systems of internal control over

disbursements; and (8) comply with existing procedures to prevent unnecessary purchases or the loss of court property, such as equipment, lost or stolen cash, and critical documents.

Open Recommendations to Agencies

The Director of the Administrative Office of the U.S. Courts should work with the circuit court councils to develop a plan to assist those courts that have not established systems of internal controls that comply with AO collection deadlines. The plan should include an educational program for court clerks on the importance of establishing and maintaining adequate internal controls.

Status: Action in process. In September 1986, AO presented plans to circuit executives to establish an Internal Control Advisory Committee to help courts improve controls. The target date for establishing the committee is not yet established.

The Director of the Administrative Office of the U.S. Courts should instruct the central violation units to use a suspense ledger for recording unidentified collections so receipts can be deposited promptly.

Status: Action in process. Estimated completion date: 12/86. Detailed instructions are being drafted. The target date for completion is December 31, 1986.

To strengthen disbursement practices in the Judiciary, the Director of the Administrative Office of the U.S. Courts should develop a follow-up system to resolve rental discrepancies with the General Services Administration.

Status: Action in process. Estimated completion date: 05/87. An automated system to resolve rental discrepancies is to be in place by May 1987.

To strengthen disbursement practices in the Judiciary, the Director of the Administrative Office of the U.S. Courts should require that a Criminal Justice Act (CJA) report be generated listing payments made to private attorneys and that it be sent to the courts for verification that the payments were authorized.

Status: Action in process. Estimated completion date: 01/87. Action was deferred pending a decision regarding the reorganization of the payment process. If the reorganization occurs, this recommendation may no longer be applicable. The decision on reorganization is due by January 1987.

To strengthen disbursement practices in the Judiciary, the Director of the Administrative Office of the U.S. Courts should require that an exception report be generated when computer program edits identify possible duplicate payments for CJA claims and direct AO managers to review the report and verify that no duplicate payments occurred.

Status: Action in process. Estimated completion date: 01/87. Action was deferred pending a decision regarding the reorganization of the payment process. If the reorganization occurs, this recommendation may no longer be applicable. The decision on the reorganization is due by January 1987.

To strengthen disbursement practices in the Judiciary, the Director of the Administrative Office of the U.S. Courts should develop procedures for the courts to follow when making local procurements for consumable supplies and miscellaneous services, which cover separation of duties and documentation needed to support payments.

Status: Action in process. Estimated completion date: 12/86. Guidelines are to be established by December 31, 1986.

To strengthen disbursement practices in the Judiciary, the Director of the Administrative Office of the U.S. Courts

should require court managers to develop a scheduling system to ensure that timely disbursements are made.

Status: Action in process. Estimated completion date: 12/86. Guidelines are in process, with a planned December 1986 completion date.

The Director of the Administrative Office of the U.S. Courts should incorporate a requirement, in its property management guidelines, for the courts to periodically take a physical inventory of equipment, as is currently required for furniture and furnishings, and maintain perpetual inventory records of this property.

Status: Action in process. Estimated completion date: 12/86. Guidelines are to be established by December 31, 1986.

The Director of the Administrative Office of the U.S. Courts should, in concert with the circuit councils, emphasize to court managers the need to maintain adequate security over valuable court documents and property.

Status: Action in process. Estimated completion date: 12/86. AO will reemphasize this in a national newsletter to maintain adequate security.

The Director of the Administrative Office of the U.S. Courts should work with the circuit councils to develop a plan to assist those courts that have not established a system of internal controls that comply with AO collection guidelines. The plan should establish a financial management team in the circuits to assist court clerks in implementing the recently developed model operating procedures.

Status: Action in process. In September 1986, AO presented a plan to circuit executives to establish an Internal Control Advisory Committee to assist clerks in implementing operating procedures. The target date for establishing the Committee is not yet established.

The Director of the Administrative Office of the U.S. Courts should work with the circuit councils to develop a plan to assist those courts that have not established a system of internal controls that comply with AO collection guidelines. The plan should authorize the use of public accounting firms, when necessary, to assist courts in identifying and correcting internal control weaknesses.

Status: Action in process. In September 1986, AO presented a plan to circuit executives to establish an Internal Control Advisory Committee

to assist courts in identifying how to correct weaknesses. The target date for establishing the Committee is not yet established.

The Director of the Administrative Office of the U.S. Courts should consult with the Judicial Conference and Justice Department on obtaining state assistance in notifying violators of outstanding traffic tickets.

Status: Action in process. Violation enforcement is being discussed with Justice and the Magistrates Committee

of the Judicial Conference. No date is set for completing this action.

The Director of the Administrative Office of the U.S. Courts should conduct a feasibility study on the use of lock-boxes to process petty offense forfeiture payments.

Status: Action in process. AO is awaiting completion of the required Department of Treasury cost-benefit analysis. No completion date has been established.

Accounting Systems in Operation

Oil and Gas Royalty Collections—Longstanding Problems Costing Millions

AFMD-82-6, 10/29/81

Background

GAO reviewed the U.S. Geological Survey's (USGS) continued unsuccessful efforts to collect oil and gas royalties on federal and Indian lands and the serious impact of this problem on the collection of the windfall profit tax.

Findings

Financial management problems in existence 20 years ago persist today because management has not focused on correcting the deficiencies reported. As a result, USGS is not collecting all oil and gas royalties, and millions of dollars owed the government may be going uncollected each year. Moreover, millions of dollars in royalty income are not being collected when due, thereby increasing the government's interest costs. Since 1959, GAO has reported on the need for improved management of the USGS royalty accounting system. USGS still relies almost entirely on production and sales data reported by the oil and gas companies, and little effort is made to verify the accuracy of that data. Because of a breakdown

in the royalty accounting system, lease account records are inaccurate, unreliable, and cannot be used to determine if royalties are properly computed and paid. To correct its many longstanding financial management problems, USGS has established royalty management as a separate entity, hired additional personnel for royalty management, and is designing and implementing a new royalty accounting system. Royalty collection has been further complicated by the windfall profit tax. USGS filed blank quarterly returns for the first quarter of 1981 and has not filed a return for the quarter ended June 30, 1981. Until the new royalty accounting system is working properly, the accuracy of royalty computation will be a problem. Since windfall profit tax calculations are based on royalty payments, they will be incorrectly stated to the extent that royalties are incorrectly stated.

Open Recommendations to Agencies

To ensure that development of the new royalty accounting system is given

high priority and sustained effort, the Secretary of the Interior should closely monitor the work to see that the system is properly implemented. In this regard, immediate attention must be given to determining how the production phase will operate and how it will interface with the accounting phase which is currently being designed. Also, in developing the accounting phase, USGS must acquire data on the number of leases and wells for which it is responsible and provide for verification of the royalty computation. The necessary resources must be provided and milestones must be strictly adhered to.

Status: Action in process. Interior tested a production reporting system during 1984 and implemented the system in February 1985 for all offshore and a few onshore leases. In late 1984, Interior made a decision not to implement the system for the remaining offshore leases until a thorough cost/benefit study was completed. The

study is currently being reviewed as to what additional implementation should be taken.

Target: Department of the Interior

Status: Action in process. Interior tested a production reporting system during 1984 and implemented the system in February 1985 for all offshore and a few onshore leases. In late 1984, Interior made a decision not to implement the system until a thorough cost/benefit study was completed. The study is currently being reviewed to determine what additional implementation should be taken.

Target: Department of the Interior: Geological Survey

To gain control over information reported by the oil and gas companies, the Secretary of the Interior should direct USGS to include in its current redesign effort a plan which should provide for: (1) establishment of a detailed audit plan for periodic reviews of lease accounts and oil and gas companies' accounting records; (2) devotion of additional resources to the inspection of leases using field inspectors to help verify data reported; (3) coordination with the states to arrange the sharing of the audit and lease inspection function and the exchange of production and sales information; (4) reconciliation of existing lease account records to the extent possible; (5) identification of staff needs and resources for asses-

sing interest on late payments; and (6) faster deposit of royalty payments using electronic funds transfer when possible.

Status: Action in process. Interior has developed a multifaceted audit strategy directed toward periodic lease and company audits, delegation of audit responsibility to states and Indian tribes, and reconciliation of existing accounts. Interior has also taken action to: (1) use the electronic fund transfer methodology; (2) charge late payment interest; and (3) devote more resources to site inspections.

Accounting Systems in Operation

Improvements Needed in Operating and Using the Army Automated Facilities Engineer Cost Accounting System

AFMD-82-27, 05/19/82

Background

GAO reported on the need for the Army to improve its automated Facilities Engineer Job Order Cost Accounting System and to better utilize it in managing the operation and maintenance of real property facilities. The review was made to determine whether the Army was operating and using the system in accordance with the approved system design.

Findings

The Army has invested much time and money in designing and implementing the system. By 1982, it had been implemented at about 70 installations. Ultimately, the Army plans to extend the system to about 150 installations around the world. However, users have not been convinced that the system is sound and that it could lead to more efficient and effective operations. At the installations, cost accounting system data were not being effectively used

to manage facility engineer operations. Managers were not being held fully accountable for project costs incurred. At the installations visited, reported actual costs incurred on about 80 percent of the projects varied by more than 10 percent from the estimated costs. On 40 percent of the projects reviewed, reported actual costs varied by more than 50 percent from estimated costs. Managers did not research these variances and, therefore, did not know why they occurred or how to correct them. Because managers were not using the system, personnel had little incentive to see that system data were accurate, complete, and timely. GAO approved the system design 5 years ago with the understanding that certain problems would be corrected, but this has not been fully accomplished. Adequate training has not been provided to user personnel. Because cost reports produced by the system are so lengthy and do not present data in convenient formats, facility managers

have been reluctant to use them. GAO believes that, with the incorporation of the design changes, the system is worthwhile.

Open Recommendations to Agencies

The Secretaries of Defense and the Army should: (1) direct installation operating personnel to prepare and enter cost information into the system in an accurate, complete, and timely manner; (2) revise cost report formats to permit ready use by management and to include more use of management exception reports; (3) correct the two system design deficiencies which GAO identified when it approved the system; (4) adequately train system users to operate the system and use its reports; and (5) make sure through periodic review that managers use the cost data and other information contained

in the automated Facilities Engineer Job Order Cost Accounting System to effectively maintain and operate Army facilities.

Status: Action in process. Estimated completion date: 09/87. The Army is in the process of a major redesign of many of its financial and management information systems, including the system discussed in this report. Those recommendations which could feasibly have been acted upon in the interim have been and action is completed. GAO is currently reviewing the Army's redesign effort.

Target: Department of the Army

Status: Action in process. Estimated completion date: 09/87. The Army is in the process of a major redesign of many of its financial and management information systems, including the system discussed in this report. Those recommendations which could feasibly have been acted upon in the interim have been and action is completed. GAO is currently reviewing the Army's redesign effort.

Target: Department of Defense

The Secretary of Defense should take these actions before the system is implemented at the remaining installations scheduled for conversion.

Status: Action in process. Estimated completion date: 09/87. The Army is in the process of a major redesign of many of its financial and management information systems, including the system discussed in this report. Those recommendations which could feasibly have been acted upon in the interim have been and action is completed. GAO is currently reviewing the Army's redesign effort.

Accounting Systems in Operation

The Social Security Administration's Management of Personal Property at Headquarters Needs Improvement

HRD-83-50, 06/21/83

Background

GAO reviewed the management of personal property, which consists of office furniture and equipment, required for operations at the Social Security Administration (SSA) headquarters.

Findings

GAO noted that the capitalized value of SSA personal property nationwide is about \$164 million, of which \$143 million is located at SSA headquarters. GAO found that SSA does not: (1) keep accurate inventory records of its stored personal property; (2) adequately coordinate the disposal of excess property with the General Services Administration (GSA); or (3) make annual property accountability surveys. GAO further noted that these problems existed partly because SSA reorganized several times without monitoring personal property.

Open Recommendations to Agencies

SSA should make annual physical inventories of personal property as required by SSA regulations.

Status: Action in process. Estimated completion date: 02/87. SSA is planning to conduct onsite physical inventories in components where annual inventories are not currently being done. Three locations remain to be inventoried. They will be completed by February 1987.

SSA should develop and maintain accurate inventory records of stored personal property.

Status: Action in process. Estimated completion date: 05/87. SSA is developing an automated property accountability system which will

improve its ability to inventory stored property. However, development of the system was halted until the SSA Financial/Administrative Integrated Management System (FAIMS) is completed. FAIMS is not scheduled to begin until May 1987. A new implementation date for the property accountability system will be scheduled then.

SSA should make annual property accountability surveys at SSA headquarters.

Status: Action in process. Estimated completion date: 02/87. Most major headquarters components are conducting annual surveys. SSA is increasing its emphasis on annual inventories and accountability surveys. The last location to be surveyed will be completed by February 1987.

Accounting Systems in Operation

General Services Administration Needs To Improve Its Internal Controls To Prevent Duplicate Payments

AFMD-85-70, 08/20/85

Background

Pursuant to a congressional request, GAO reviewed payment procedures at the General Services Administration (GSA) National Capital Region (NCR) finance center to determine: (1) if, and why, duplicate payments were paid for the same goods and services; and (2) NCR efforts to recover duplicate payments from vendors.

Findings

GAO found that: (1) 32 duplicate payments amounting to \$1.3 million were made due to internal control weaknesses and problems in payment center operating procedures; (2) private vendors were refunding duplicate payments made through the National Electronic Accounting and Reporting (NEAR) system, but NCR officials had not attempted to identify the reason for the duplicate payments; (3) internal controls need to be upgraded; (4) the center relied on manual controls, which were not always effective; and (5) manual payments could not be accessed for

computer comparisons to prevent future duplicate payments. GAO also found that: (1) the center lacked adequate physical control over documents used to justify payments; (2) some recipients of duplicate payments did not return government checks but refunded the improper amount with their own checks on subsequent invoices; (3) fiscal year 1984 automated payment data were incomplete because numerous manual payments had not been entered in the system files; (4) GSA did not have written procedures instructing clerks to process charges for each billing period separately; (5) accounting records were incomplete; and (6) efforts to collect identified duplicate payments were not promptly pursued.

Open Recommendations to Agencies

To strengthen GSA payment operations and particularly to prevent duplicate payments, the Administrator of General Services should increase the capability

of automated controls in the NEAR system so that: (1) duplicate payments processed concurrently on the automated system are detected and rejected; (2) all payments for recurring services are rejected if there has been a previous payment for the same billing period; and (3) comparisons of the unique document control numbers are accomplished in time to remove any duplicate payments from the automated system before the payment tapes are generated.

Status: Action taken not fully responsive. GSA implemented an additional automated edit for recurring variable price services, such as utilities. Payments being processed for a month for which the automated records show a prior payment will be rejected. GSA officials determined that upgrading manual controls eliminated the need for any action on the first and third segments of this recommendation.

Accounting Systems in Operation

Strengthening Internal Controls Would Help the Department of Justice Reduce Duplicate Payments

AFMD-85-72, 08/20/85

Background

Pursuant to a congressional request, GAO reviewed duplicate payments made by federal agencies at selected federal payment centers, including one within the Department of Justice's Justice Management Division.

Findings

GAO identified, through independent testing of prior payments, weaknesses in the automated and manual controls used to prevent duplicate payments. GAO found that: (1) the automated internal control feature did not iden-

tify duplicate payments; (2) payment clerks did not have access to comprehensive payment data needed to prevent duplicate payments; and (3) the payment center contributed to duplicate payments by forwarding more than one vendor invoice for the same goods and services. GAO also found that: (1)

the existing automated internal control system showed that it could only detect duplicate payments if the invoice number and amount paid were identical for two or more transactions; (2) the Financial Management Information System (FMIS) routine for preventing duplicate payments currently produces a daily listing of possible duplicates, but does not automatically suspend them from the payments in process; (3) manual records were not always complete; and (4) other payment data, which would be less susceptible to change on another invoice for the same item, were available and could have been used to increase the reliability of comparison.

Open Recommendations to Agencies

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to convert the automated internal control from a passive to an active feature, which stops or holds in suspense any identified potential dupli-

cate payments until they are verified to be valid transactions.

Status: Action taken not fully responsive. Only one automated matching technique removes potentially incorrect payments from payments in process schedules. If possible erroneous payments found in the second matching routine are not promptly reviewed, inaccurate payments can be issued. Justice stated that this is more efficient because of the large number of duplicate payments on daily listings. Justice does not plan any additional changes.

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to require that staff in the FMIS payment center and offices adhere to sound administrative practices, specifically: (1) ordering offices should maintain a log of merchandise or services received and review previous entries prior to sending any receipt acknowledgment to the payment center to authorize payment to help avoid forwarding more than one supporting

document for the same goods or services; (2) payment center clerks should examine each receipt acknowledgment to identify any with annotations that would indicate that another supporting document for the same goods or services may have been received previously and, before authorizing payment based on any document containing such annotations, payment clerks should research prior payment records to ensure that the same item has not been paid for already; and (3) ordering offices should carefully reconcile the payment center's listings of prior payments with their records of goods or services received to identify any duplicate payments that slipped through earlier system checks.

Status: Action taken not fully responsive. Justice officials plan to adopt only the first part of this recommendation. Officials contend that their upgraded controls make the last two proposals unnecessary since they are experiencing fewer known duplicate payments.

Accounting Systems in Operation

Second-Year Implementation of the Federal Managers' Financial Integrity Act in the Department of Education

HRD-85-78, 09/26/85

Background

GAO reviewed the Department of Education's efforts to implement and comply with the Federal Managers' Financial Integrity Act of 1982 (FIA).

Findings

GAO found that: (1) Education's second-year implementation of the act identified some new internal control weaknesses; (2) Education's progress in evaluating accounting systems in 1984 provided a better basis for reporting; (3) there were insufficient internal controls to prevent unauthorized

access and manipulation; (4) Education excluded important program areas from vulnerability assessment coverage and did not effectively focus its assessment of remaining areas on potential risk of fraud; and (5) reviews performed on many major programs have been ineffective for determining the adequacy of internal controls. GAO also found that: (1) there was little assurance that corrective actions would be taken because Education did not have a complete inventory of identified material weaknesses; (2) a methodology for assessing automated systems' internal controls has not been devel-

oped; (3) Education did not ensure effective implementation of internal control activities by its program offices; (4) six of Education's largest systems did not conform with the Comptroller General's requirements; and (5) there was no adequate basis to state whether Education's system of internal controls, taken as a whole, conformed to the act's objectives.

Open Recommendations to Agencies

The Secretary of Education should include, in future year-end FIA reports,

information disclosing the significance of internal control weaknesses to Department operations.

Status: Action in process. Education plans to implement this recommendation in December 1986.

The Secretary of Education should establish a focal point for implementing FIA internal control activities in each regional office and establishing a regional assessment structure more representative of the functions carried out in departmental regions.

Status: Action in process. A new regional assessment structure was developed in September 1986 for implementation during 1987.

The Secretary of Education should eliminate vulnerability assessment coverage gaps in Department headquarters.

Status: Action in process. Education revised its inventory of assessable units for implementation in 1987.

The Secretary of Education should clarify vulnerability assessment questions subject to misinterpretation and provide better focus on risk issues.

Status: Action in process. The revised vulnerability assessment instrument deletes questions in the prior instrument. New emphasis is on safeguards regarding various aspects of program operations. The 1986 vulnerability assessments were completed in September 1986 and will be available in 1987.

The Secretary of Education should reinforce supervisory review requirements for vulnerability assessments and require that all relevant external reports and evaluations are appropriately considered.

Status: Action taken not fully responsive. Vulnerability assessments

ask the assessor to list applicable reviews and evaluations. There is no requirement to consider their implication.

The Secretary of Education should establish criteria for determining which completed internal control reviews (ICR) should be repeated or upgraded and require program organizations to give priority to completing those reviews.

Status: Recommendation valid/action not intended. Education performed vulnerability mini-assessments of applicable activities which showed that they all had low vulnerability to waste, fraud, and abuse. Therefore, no ICR were considered necessary because of the significance of the activities involved.

The Secretary of Education should establish ICR quality assurance procedures to ensure that limitations in scope, evaluation of control objectives and techniques, testing, and recommended corrective actions are resolved before the results are used as the basis for the annual FIA report to the President and Congress.

Status: Action in process. Better training is being provided in performing ICR. More technical assistance is being provided and 100-percent validation is to be made on completed corrective actions.

The Secretary of Education should expand ICR training to improve program staff performance in determining review scope, evaluation of control objectives and techniques, testing, and corrective action. Case studies contrasting specific examples of effective and ineffective performance in these areas would be beneficial.

Status: Action taken not fully responsive. In 1985, internal control

training was provided in the areas recommended. An example of effective ICR was used, but no examples of ineffective performance were used to identify techniques to be avoided.

The Secretary of Education should implement a tracking system that incorporates findings of GAO, the Office of the Inspector General, and outside evaluations into the process leading to the preparation of the Education year-end FIA report.

Status: Action in process. Education plans to incorporate specific weaknesses from GAO and other external reports in its 1986 year-end report. Current tracking systems will be used rather than implementing a new one, which would incorporate all outstanding findings and weaknesses.

The Secretary of Education should provide for ongoing testing of internal control weaknesses reported as corrected in the Department's tracking system.

Status: Action in process. There is a requirement that all weaknesses reported as corrected are independently validated. Documentation to support that this is being done was not available.

The Secretary of Education should complete separate internal control evaluations of its major automatic data processing (ADP) systems to establish a more meaningful basis for future reporting on the adequacy of ADP internal control systems.

Status: Action in process. Criteria and procedures for performing ICR on ADP systems were drafted. No ICR of ADP systems have been performed.

The Secretary of Education should direct program and administrative offices to expand testing to all accounting systems not undergoing substantial modifications and include the use of hypothetical transactions in testing.

Status: Action in process. Estimated completion date: 09/87. Education started to review and test accounting systems. All systems are to be reviewed and tested by the end of fiscal year 1987.

The Secretary of Education should direct program and administrative offices to include information in corrective action monitoring reports on short-term measures considered, original target dates, and completed accounting system improvements.

Status: Action in process. Education's accounting system managers are maintaining a data base that allows them to identify interim steps taken toward completing accounting system improvements, which are being tracked against target completion dates. Managers are reporting short-term corrective actions taken.

The Secretary of Education should direct program and administrative

offices to give accounting system managers additional guidance, through training and questionnaire clarification, on applying the Comptroller General's accounting principles, standards, and related requirements in evaluating its systems.

Status: Action in process. Education has begun to provide additional guidance to accounting system managers.

Accounting Systems in Operation

HUD's Second-Year Implementation of the Federal Managers' Financial Integrity Act

RCED-86-22, 10/08/85

Background

GAO reviewed the Department of Housing and Urban Development's (HUD) second-year implementation of the Federal Managers' Financial Integrity Act of 1982 to determine the: (1) improvements in internal controls and the process used by HUD to evaluate and correct control weaknesses; (2) status of HUD accounting systems; and (3) accuracy and completeness of the Secretary's annual report on internal controls and accounting systems.

Findings

GAO found that: (1) HUD is correcting known internal control problems and is continuing to make progress in developing its process for evaluating and correcting internal controls; (2) HUD needs to strengthen several aspects of its process for measuring and correcting program vulnerability; and

(3) the accounting systems identified in the Secretary's report were not in conformance with GAO requirements. GAO also found that: (1) regional office vulnerability assessments did not identify weaknesses requiring immediate corrective action; (2) the nature and extent of the weaknesses and corrective actions were not clearly defined; (3) preliminary reviews did not involve testing of internal controls to determine whether they were operating as intended; and (4) HUD has made a number of system improvements but it will be several years before its systems will conform with Comptroller General accounting standards and requirements.

Open Recommendations to Agencies

To strengthen the internal control review (ICR) process and to be in

a better position to assess the reasonableness of HUD internal controls, the Secretary, HUD, should direct the Assistant Secretary for Administration to revise: (1) vulnerability assessment guidelines to provide examples of the type and specificity of documentation needed to support the vulnerability rating assigned; and (2) the vulnerability assessment form to provide space for identifying weaknesses requiring immediate corrective actions and the proposed actions.

Status: Action in process. Estimated completion date: 02/87. The new assessment process will be designed to identify and note corrective actions. Appropriate guidance will be provided on the redesign process. The vulnerability assessment guidelines are currently being revised.

Accounting Systems in Operation

Department of Energy's Second-Year Implementation of the Federal Managers' Financial Integrity Act

RCED-86-14, 10/17/85

Background

GAO evaluated the Department of Energy's (DOE) implementation of the Federal Managers' Financial Integrity Act (FIA), including: (1) improvements in internal controls and the process DOE uses to evaluate and correct control weaknesses; (2) the status of the DOE major accounting systems and evaluations made to determine if they conform to GAO requirements; and (3) the accuracy and completeness of the Secretary's annual report.

Findings

GAO found that DOE is making reasonable progress in implementing an internal control evaluation process that complies with Office of Management and Budget (OMB) guidelines. DOE has improved controls in four of the five areas of material weakness that it had identified. While GAO did not identify any material weaknesses not reported by DOE, it concluded that DOE needs to increase its internal control testing. In addition, GAO found that, in some instances: (1) vulnerability assessments and internal control reviews were not performed according to DOE guidelines; and (2) although DOE has developed a comprehensive plan for reviewing its accounting systems for conformance with GAO standards, it did not adequately describe the scope of accounting system evaluations performed, did not adequately document evaluation results, and did not sufficiently test the systems. Finally,

although its 1984 annual report stated that DOE had reasonable assurance that its systems of internal controls met FIA objectives and that its accounting systems conform to the Comptroller General's principles and standards, GAO concluded that DOE does not have an adequate basis for these assurances without better evidence based on sound internal control reviews and checks to determine that its systems are working as intended.

Open Recommendations to Agencies

The Secretary of Energy should direct the Assistant Secretary for Management and Administration to require supervisory managers to perform quality assurance reviews of internal control reviews and certify that they have assurance that the internal control reviews comply with OMB and DOE guidance.

Status: Action taken not fully responsive. DOE developed an internal control review quality assurance checklist and distributed it to DOE internal control representatives on June 12, 1986. DOE has not included the checklist in its internal control directive, but plans to at its next update.

The Secretary of Energy should direct the Assistant Secretary for Management and Administration to establish guidelines for supervisory

quality assurance reviews of completed vulnerability assessments so that they are conducted according to DOE guidance and produce valid, consistent assessments.

Status: Action taken not fully responsive. DOE developed an optional questionnaire for performing quality assurance reviews on vulnerability assessments and distributed it to internal control representatives on June 12, 1986. DOE plans to include the questionnaire in its internal control directive, as recommended, at its next update.

The Secretary of Energy should not report general conformance with the Comptroller General's principles, standards, and related requirements until a more adequate basis has been developed, with accounting systems reviewed in operation to include testing. The Secretary should: (1) list in the FIA annual report those systems that he is not yet in a position to report on conformance; and (2) report on any systems that he has a basis to determine conformance.

Status: Recommendation valid/action not intended. DOE agreed with this recommendation in principle, but limited its accounting systems testing because the systems were scheduled to be replaced. DOE plans no further action to address this recommendation.

Accounting Systems in Operation

Second-Year Implementation of the Federal Managers' Financial Integrity Act in the Veterans Administration

HRD-86-20, 10/28/85

Background

GAO reviewed the Veterans Administration's (VA) second-year implementation of the Federal Managers' Financial Integrity Act of 1982 (FIA) to assess its progress in evaluating the adequacy of agency internal controls and accounting systems.

Findings

GAO found that: (1) VA made progress in establishing a framework to evaluate and report on the status of its internal controls, but VA needs to improve its assessments and reviews of internal controls and to increase the testing of its accounting operations; (2) vulnerability assessments generally lacked adequate documentation; (3) preliminary reviews did not present adequate plans for implementing review recommendations; and (4) most reviews did not complete all prescribed review tasks or include an adequate examination of internal controls. GAO also found that: (1) VA did not require internal control evaluations of its regional offices; (2) field facilities did not review some crucial operations; (3) VA made little progress in considering automatic data processing (ADP) controls as part of its internal control assessments and reviews; (4) VA needs to broaden the scope of its evaluations and improve the quality of its tests; and (5) VA should not report that it conforms with the Comptroller General's requirements until its accounting systems have been adequately evaluated in operation.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should require VA departments and offices to: (1) include in vulnerability assessments an analysis of the general internal control environment, an evaluation of inherent risks, a preliminary evaluation of safeguards, and a summary of the assessment results; (2) include in vulnerability assessments documentation of what was assessed and who assessed it, and an analysis of the vulnerability of each assessable unit; (3) identify and analyze pertinent problems and concerns during preliminary reviews and select, implement, and track appropriate follow-up actions to correct them; and (4) obtain sufficient documentation during preliminary reviews to support the findings and conclusions contained therein.

Status: Action in process. A draft vulnerability assessment handbook was developed to assist VA components in the design and conduct vulnerability assessments. The draft handbook was used by several components and found to be helpful.

The Administrator of Veterans Affairs should direct: (1) the Chief Benefits Director to require regional offices to analyze the sources of problems revealed by the reviews required by the Department of Veterans Benefits

Circular 20-84-20 and other processes; (2) the Chief Benefits Director and the Chief Medical Director to require that each field facility implement a formal, centralized tracking and follow-up system that addresses internal control weaknesses identified by any source; and (3) the Chief Benefits Director to require regional offices to train managers who are responsible for internal control evaluations.

Status: Action in process. Circular 20-84-20 is no longer in effect; however, another circular is being drafted. Once a draft is approved, a formal tracking system will be implemented and a training program developed as necessary.

The Administrator of Veterans Affairs should require the Director, Office of Data Management and Telecommunications, and the Chief Medical Director to develop more specific guidelines for reviewing ADP internal controls.

Status: Action in process. VA is adapting the Department of Energy publication ADP Internal Control Guidelines for its assessment to be done during fiscal year (FY) 1986. Detailed guidance for performing vulnerability assessments of ADP internal controls was issued by VA on November 21, 1986.

Accounting Systems in Operation

Interior's Implementation of the Federal Managers' Financial Integrity Act

RCED-86-25, 10/31/85

Background

GAO reviewed the Department of the Interior's second-year implementation of the Federal Managers' Financial Integrity Act (FIA), which requires federal agencies to: (1) establish internal controls in accordance with the Comptroller General's standards for agency internal controls; (2) report to the President and Congress on whether their internal controls fully comply with the act's requirements and on any material internal control weaknesses they identify; and (3) report on whether their accounting systems conform to the standards prescribed by the Comptroller General.

Findings

GAO found that Interior: (1) reported that 23 of the 61 material internal control weaknesses it identified in 1983 have been corrected, but 24 of the weaknesses it was to correct during 1984 have not been corrected, including a significant weakness in the royalty management program that was first identified in 1977; (2) has established a sound program for internal control evaluations but has not properly implemented the program; (3) did not include adequate testing in many of the internal control reviews (ICR); and (4) failed to implement effective quality assurance procedures for ICR or train individuals in performing such reviews. GAO also found that: (1) while Interior evaluated its accounting systems, it did not adequately test the systems that it reported as being in conformance with the Comptroller General's requirements; and (2) the four systems that Interior reported as nonconforming account for about 50 percent of its appropriations and almost all of its receipts.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Assistant Secretary for Policy, Budget, and Administration (PBA) to ensure that all material weaknesses that have not been corrected are reported in the Secretary's annual report to the President and Congress.

Status: Recommendation valid/action not intended. Interior does not agree that a directive is necessary. Officials believe that Interior's corrective action tracking system ensures that all uncorrected material weaknesses are reported.

The Secretary of the Interior should direct the Assistant Secretary, PBA, to direct the U.S. Geological Survey to review its inventory of assessable units to ensure that all assessable units are of an appropriate nature and size to permit meaningful and useful vulnerability assessments and ICR.

Status: Recommendation valid/action not intended. Interior disagreed with this recommendation, stating that the sizes of the components are appropriate and provide for meaningful ICR. Interior stated that the Office of Inspector General (OIG) found these other ICR to be satisfactory, therefore, Interior is satisfied.

The Secretary of the Interior should direct the Assistant Secretary, PBA, to revise the Department's internal control directive and instructions for conducting vulnerability assessments to require

the bureaus to document the basis for the conclusions and rankings reached on all vulnerability assessments.

Status: Recommendation valid/action not intended. Interior stated that there was nothing in the report that indicates that a lack of documentation negatively impacted the results of the vulnerability assessments. As pointed out in the report, it is an option, not a requirement. For 1986, Interior has eliminated the preparation of assessments by instituting a new procedure for assessing vulnerability.

The Secretary of the Interior should direct the Assistant Secretary, PBA, to revise the ICR guidelines to require that the risks associated with each event cycle be documented as part of each ICR.

Status: Action in process. Estimated completion date: 12/86. Interior did not address this recommendation. GAO was told, however, that the requirement is in the training manual which is given to all performing ICR, and that Interior's guidelines will be revised, by December 31, 1986, to include a worksheet which specifically documents risks.

The Secretary of the Interior should direct the Assistant Secretary, PBA, to provide specific training to those individuals who have been assigned the responsibility for performing ICR on how an ICR is conducted, including the importance of testing controls.

Status: Action taken not fully responsive. Interior stated that it has developed a training program and con-

ducted extensive training in early 1985. However, it would not provide GAO with a listing of those trained, so GAO does not know if this recommendation has been implemented. Subsequently, it did provide summary data to GAO on the numbers of bureau staff trained in 1985 and 1986.

The Secretary of the Interior should direct the Assistant Secretary, PBA, to specify for the bureaus and offices the type of testing needed when per-

forming accounting system evaluations. This testing should include determining whether valid transactions are processed in accordance with the system design and whether the system reacts appropriately to invalid transactions.

Status: Recommendation valid/action not intended. Interior stated that it thought GAO, working with the Office of Management and Budget, should establish testing guidelines for agencies to use in evaluating their accounting systems.

The Secretary of the Interior should not report the Department's accounting systems to be in conformance with the Comptroller General's requirements until they have been adequately evaluated in operation.

Status: Action not yet initiated. Interior did not address this recommendation.

Accounting Systems in Operation

EPA's Implementation of the Federal Managers' Financial Integrity Act

RCED-86-34, 11/13/85

Background

GAO reviewed the Environmental Protection Agency's (EPA) second-year implementation of the Federal Managers' Financial Integrity Act (FIA), focusing on: (1) improvements in EPA internal controls and the process EPA uses to evaluate and correct internal control weaknesses; (2) the status of the EPA accounting system and evaluations made to determine whether it conforms to the Comptroller General's requirements for such systems; and (3) the accuracy and completeness of the EPA annual FIA report.

Findings

GAO found that, while EPA has made progress in evaluating and improving its internal controls, it did not have an adequate basis for reporting that its systems of internal control met the objectives of FIA because: (1) the material weaknesses EPA reported for 1984 encompass over 60 percent of its budget; (2) EPA failed to identify two uncorrected material weaknesses in its Superfund and Resource Conservation and Recovery Act programs that it

reported in 1983; (3) EPA failed to identify material weaknesses in its automatic data processing (ADP) activities; (4) EPA did not uniformly implement its FIA process throughout the agency; and (5) EPA failed to perform internal control reviews (ICR) for a number of highly vulnerable program areas. GAO also found that EPA did not: (1) have an adequate basis to report that its accounting system was in conformance with the Comptroller General's requirements; (2) properly record and charge certain contract costs; (3) properly deobligate unspent grant funds; (4) establish documentation and data controls for its payroll accounting subsystem; (5) completely correct material weaknesses in its accounting system that it reported in 1983; or (6) adequately test its accounting system in operation to ensure conformance.

Open Recommendations to Agencies

To more effectively implement the FIA process and to provide a stronger basis to report on the status of EPA internal controls, the Administrator, EPA,

should fully define the role of EPA program managers in the FIA process, with a view toward having managers be more involved in evaluating internal controls.

Status: Action in process. Estimated completion date: 12/86. EPA established the Resource Management Division to coordinate, monitor, and provide guidance for FIA implementation. Order 1000.24 FIA instructions have been revised, but they have not been published and distributed.

The Administrator, EPA, should not report that the EPA accounting system is in conformance with the Comptroller General's principles, standards, and related requirements until the system has been adequately evaluated while in operation.

Status: Recommendation valid/action not intended. EPA disagreed with this recommendation.

To ensure that the accounting system evaluation made under FIA is thorough and comprehensive, the Administrator,

EPA, should properly record letter-of-credit payments.

Status: Action in process. Estimated

completion date: 12/86. EPA agreed with this recommendation. It is currently reviewing its financial management systems and making revisions

and modifications to comply with this recommendation.

Accounting Systems in Operation

Second-Year Implementation of the Federal Managers' Financial Integrity Act in the Department of Labor

HRD-86-29, 11/18/85

Background

GAO reviewed the Department of Labor's second-year efforts to implement and comply with the Federal Managers' Financial Integrity Act (FIA), which is aimed at strengthening management controls and accounting systems and helping to detect and deter fraud, waste, abuse, and mismanagement in federal agencies.

Findings

GAO found that, at the end of 1984, uncorrected internal control weaknesses existed in Labor's Unemployment Insurance and Job Training Partnership Act programs, as well as its other programs and its accounting systems.

These deficiencies precluded a determination that Labor's: (1) systems of internal control, taken as a whole, complied with FIA requirements; and (2) accounting systems, taken as a whole, generally conformed to the Comptroller General's requirements. GAO believes that, in order to determine whether its internal control systems provide reasonable assurances, Labor needs to collectively consider the: (1) comprehensiveness and quality of the evaluation work performed; (2) significance of the weaknesses disclosed; (3) status of corrective actions; and (4) extent to which accounting systems conform to the Comptroller General's requirements. GAO also believes that Labor's annual FIA report should provide sufficient information to determine the significance of reported internal control weaknesses.

Open Recommendations to Agencies

Labor should disclose: (1) functions where internal controls are adequate, inadequate, and not yet effectively evaluated; and (2) the significance of reported internal control weaknesses to its operations.

Status: Recommendation valid/action not intended. Labor's instructions to its agency heads for preparing 1986 FIA letters requires them to quantify significant control weaknesses in terms of cost of resources or other measures. Labor believes that its past internal control evaluations were adequate and state central systems are not subject to vulnerability assessment under Office of Management and Budget guidance.

Accounting Systems in Operation

The Government Faces Serious Internal Control and Accounting Systems Problems

AFMD-86-14, 12/23/85

Background

As part of its second governmentwide report on the Federal Managers' Financial Integrity Act of 1982 (FIA), GAO reviewed the internal control and accounting system problems facing the government and highlighted the

problems which have hindered federal agency efforts to implement FIA.

Findings

GAO noted that: (1) the widespread and long standing weaknesses and breakdowns in agency internal controls continue to result in wasteful spending,

poor management, and losses involving billions of dollars in federal funds; (2) internal control weaknesses have also made outright fraud more feasible; and (3) inadequate agency accounting systems and financial reports have contributed to the government's dilemma. GAO found that: (1) agencies report-

ed that 53 percent of their accounting systems were not in conformance with Comptroller General requirements; (2) serious internal control problems continue in areas such as weapon systems procurement, social security, property management, and automatic data processing; (3) agencies have also reported that thousands of less serious weaknesses have been corrected which were collectively important and could have led to fraud, waste, and abuse; and (4) programs to evaluate internal control systems have not yet evolved to the point that the agencies know whether their controls are adequate. GAO also found that: (1) although federal agencies generally identified their problems, their annual reports do not always provide an accurate, clear assessment of the overall status of their systems; (2) there is an inadequate basis for reporting on internal control weaknesses because the Office of Management and Budget (OMB) has not changed its reporting guidance as GAO recommended; and (3) agency programs, which evaluate internal control and accounting systems, need further strengthening to ensure that weaknesses are identified and corrected.

Open Recommendations to Agencies

The Director, OMB, should implement the prior recommendation to strengthen

annual internal control reporting guidance to agencies. OMB must ensure that agencies disclose the basis for their position on reasonable assurance, considering the weaknesses identified and the scope of evaluations. Specifically, OMB should revise internal control reporting guidance to incorporate the "except-for" reporting format of the House Committee on Government Operations whereby agencies would clearly disclose the significance of those systems which: (1) do not meet the act's requirements; and (2) have not yet been evaluated and for which the agency does not know whether or not they comply with the act's requirements.

Status: Action taken not fully responsive. Although reporting guidance was changed, and improved to some degree, current guidance still does not adequately provide for full disclosure on reasonable assurance, such as the use of an except-for format rather than a taken-as-a-whole format. GAO will continue to strengthen OMB reporting guidance.

The Director, OMB, should require that, for agency heads to elect the "taken-as-a-whole" reporting format, they must clearly demonstrate that those systems that do not comply, or have not been adequately evaluated, are not of such significance as to detract from the credibility of an opinion on the agency as a whole.

Status: Action taken not fully responsive. Although reporting guidance was changed, and improved to some degree, current guidance still does not adequately provide for full disclosure on reasonable assurance, such as the use of an except-for format rather than a taken-as-a-whole format. GAO will continue to work to strengthen OMB reporting guidance.

The Director, OMB, should strengthen its guidance for reporting on accounting system conformance so that the annual report will clearly disclose the condition of an agency's accounting systems, applying the same criteria outlined for reporting on internal control systems. It should be clear which systems conform, which ones do not, and which ones have not been evaluated so that a conformance statement can be provided.

Status: Action taken not fully responsive. Reporting guidance was changed and OMB now recognizes two distinct variations of "except-for" reporting which agencies can use to report on accounting systems' conformance. However, the guidance should be more prominently highlighted in either Circular A-127 or OMB questions and answers to ensure that these reporting options are not overlooked by the agencies.

Accounting Systems in Operation

Air Force Efforts To Collect Debts From Former Service Members

AFMD-86-48BR, 04/30/86

Background

In response to a congressional request, GAO provided information on the Air Force's efforts to collect debts former service members owed to it.

Findings

GAO found that: (1) during the past 5 years, debts increased significantly; (2) collection rates fluctuated and then decreased; (3) enlistment/reenlistment bonuses paid to ineligible service mem-

bers accounted for the majority of the debts; and (4) the Air Force is designing a new accounts receivable system which it expects to implement by November 1987. GAO also found that: (1) receivables from enlistment/reenlistment bonuses will

most likely increase in the future because members who reenlist will begin to receive a 75-percent increase in 1986 rather than the previously issued 50-percent increase; (2) the Air Force identifies many debts when members leave the service early; (3) the Air Force has contracted with collection agencies to recover delinquent funds; and (4) the Air Force plans to offset debts against income tax refunds.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to ensure

that delinquent amounts owed by former service members are offset against government salaries received.

Status: Action in process. The Air Force is developing a collection process.

The Secretary of Defense should direct the Secretary of the Air Force to closely monitor efforts to develop and implement a new accounts receivable system

to ensure that known problems are corrected and development efforts are completed without significant slippage to established milestones.

Status: Action in process. A new system is being closely monitored and reported in the Air Force Commanders' Annual Statement on Internal Controls under section II of the Federal Managers' Financial Integrity Act.

Accounting Systems in Operation

Navy Efforts To Collect Debts From Former Service Members

AFMD-86-51BR, 05/19/86

Background

Pursuant to a congressional request, GAO obtained information on the Navy's efforts to: (1) collect out-of-service receivables; (2) implement the Debt Collection Act of 1982; (3) improve its system of accounting for and controlling out-of-service receivables; and (4) address the problems cited in a 1981 GAO report.

Findings

GAO found that: (1) out-of-service receivables increased significantly while collection rates were relatively low; (2) increases in new receivables resulted from enlistment/reenlistment bonuses paid to service members who separated

prior to earning the entire bonus; and (3) while the Navy has taken several actions to improve collection of out-of-service receivables and to address the problems cited, its current system cannot fully support implementation of the act and is not designed to account for all receivables. Although the act requires federal agencies to attempt collection for all amounts owed to the government, the Navy concluded that it was not cost-effective to attempt collection of receivables under \$125. However, GAO believes that the \$125 threshold appears to be high. The act also allows federal agencies to offset amounts owed against salaries of debtors who are employed in the federal government, but because of delays in implementing regulations, the Navy has not used this tool.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Navy to ensure that delinquent amounts owed by former service members are offset against government salaries due.

Status: Action in process. The Department of Defense (DOD) components were provided necessary DOD instructions, including hearing guidelines, which are to be used for initiating the salary offset process. DOD components are expected to implement salary offsets as soon as possible.

Accounting Systems in Operation

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved

AFMD-86-39, 05/23/86

Background

Pursuant to a congressional request, GAO: (1) reviewed selected federal agencies' efforts to implement the Debt Collection Act of 1982 and improve debt collection; and (2) evaluated agency systems that account for debts owed to the government.

Findings

GAO noted that the largest portion of government debts relate to loan programs, such as those for farming, housing, and education and, therefore, reviewed the practices of the Departments of Education and Housing and Urban Development (HUD), the Farmers Home Administration (FmHA), and the Veterans Administration (VA). GAO found that agencies failed to: (1) consistently make progress in implementing improved debt collection procedures due to management priorities, system capability limitations, management uncertainty, and regulations; (2) report delinquent individual debtors to credit reporting agencies; (3) efficiently use private collection agencies' services; (4) collect delinquent debts by offsetting salaries of or payments to federal employees; and (5) assess interest, penalties, or administrative costs on delinquent debts. GAO also found that agencies' accounting systems often failed to provide management with current and accurate information on the status of debts owed to the government.

Open Recommendations to Congress

Congress should amend the Debt Collection Act of 1982 reporting requirements to provide that agencies shall, as part of their annual budget submissions: (1) report on their progress in implementing provisions of the act and other related debt collection initiatives; (2) disclose, on a program-by-program basis, the types of data listed in the act, for example, the amount of their receivables, age of delinquent debts, and amounts written off as uncollectible; and (3) set out their goals, both monetary and programmatic, for improving collections and reducing delinquencies and write-offs.

Status: Action in process.

Congress should amend the Debt Collection Act of 1982 to require federal agencies, except where they can provide to Congress reasons for not doing so, to implement improved credit management techniques, such as those discussed in this report, and debt collection practices, including a requirement to report information about individuals and businesses with delinquent debts to credit reporting agencies and to refer delinquent debtors to private collection contractors.

Status: Action in process.

Congress should amend the Debt Collection Act of 1982 to explicitly authorize the Internal Revenue Service (IRS) to provide taxpayer address information to agencies pursuing debt collection activities under authorities other than the Federal Claims Collection Act.

Status: Action in process.

Congress should amend the Debt Collection Act of 1982 to permit the notice and hearing procedural requirements for involuntary routine salary adjustments for federal employees to be completed after offset occurs.

Status: Action in process.

Congress should amend the Debt Collection Act of 1982 to require agencies to accurately prepare financial reports on their programs that generate receivables, including a requirement for operating statements, statements of financial position, and cash flow statements.

Status: Action not yet initiated.

Congress should amend the Debt Collection Act of 1982 to require agencies to have their inspectors general, or other appropriate organizations, periodically evaluate their systems of accounting for and reporting on receivables, and annually audit the financial reports containing receivables information to help ensure continued reliability of financial data on amounts owed, and to strengthen the control environment under which debt programs operate.

Status: Action not yet initiated.

Congress should consider amending the Debt Collection Act to provide agencies with additional incentive to collect debts. Options available to Congress include managerial incentives, such as: (1) holding managers more strictly accountable for attaining debt collection

objectives and targets; (2) developing awards programs for improved collection practices; and (3) requiring annual evaluations of credit management and debt collection program operations.

Status: Action in process.

Open Recommendations to Agencies

The Secretary, HUD, should require that managers of the Single Family Assignment Program refer information on those debtors who do not meet their repayment schedules to credit-reporting agencies.

Status: Action in process. HUD included credit bureau reporting in a request for proposals for a new contract to replace its Single Family Notes System. The target date for reporting is late fiscal year (FY) 1987.

The Secretary, HUD, and the Administrator of Veterans Affairs should require managers of programs, which are not using private collection agencies, to use General Services Administration (GSA) contractors.

Status: Action in process. HUD started a pilot project to refer about 2,000 cases to private collection agencies.

Target: Department of Housing and Urban Development

Status: Action in process. VA started using collection agencies under GSA governmentwide control. VA has referred about \$425 million to GSA contractors.

Target: Veterans Administration

The Secretaries of HUD and Education should begin selling portions of their loan portfolios when deemed to be advantageous to the government.

Status: Action in process. Education plans a sale of college housing loans

in FY 1987. It estimates that as much as \$608 million in proceeds may be realized.

Target: Department of Education

Status: Action in process. HUD scheduled a sale of multifamily loans for March 1987 and is exploring the feasibility of Single Family and Title I Notes Sales.

Target: Department of Housing and Urban Development

The Administrator of Veterans Affairs should ensure that: (1) taxpayer identification numbers are obtained from loan applicants; (2) information on delinquent debtors is referred to credit reporting agencies; and (3) the salary offset provision of the Debt Collection Act of 1982 is implemented.

Status: Action in process. VA issued regulations on June 16, 1986, requiring collection of social security numbers from loan applicants. It started referring information on delinquent debtors to credit bureaus. VA also plans to implement salary offsets in January 1987.

The Administrator, FmHA, should require that program managers refer information on delinquent debtors to credit reporting agencies, and implement administrative offset.

Status: Action in process. FmHA is planning a pilot program for reporting delinquent consumer accounts to credit bureaus and has drafted administrative offset regulations.

The Secretary of Education should take whatever steps are necessary to assess, or enable Education to assess, interest, penalties, and administrative costs under the Debt Collection Act of 1982 on defaulted student loans.

Status: Action in process. Education plans to assess administrative costs on

delinquent debts. It will also consider requesting legislative changes, which would allow it to charge penalties and interest.

The Secretaries of Education and HUD, and the Administrators of FmHA and Veterans Affairs, should strengthen their receivables accounting and control systems in order to produce accurate and reliable information on the amount of debt owed to the government by ensuring that systems that account for and control receivables conform to Comptroller General and OMB requirements.

Status: Action in process. Education is reviewing several options to improve the accountability of College Housing Loan and Higher Education Facilities Loan Programs, as well as other receivables.

Target: Department of Education

Status: Action in process. HUD hired an independent contractor who is conducting a number of internal control reviews of its receivable accounting and control systems.

Target: Department of Housing and Urban Development

Status: Action in process. FmHA is developing a new loan and grant accounting system.

Target: Farmers Home Administration

The Secretary of Education, and the Administrators of FmHA and Veterans Affairs, should closely monitor efforts to develop and implement new systems of accounting for receivables to help ensure that known problems are corrected and development efforts are completed without significant slippage of established milestones.

Status: Action in process. The Secretary of Education will monitor

efforts to develop and implement new systems of accounting for receivables.

Target: Department of Education

Status: Action in process. Oversight of major system development efforts in FmHA is being maintained by agency heads and interested FmHA officials.

Target: Farmers Home Administration

The Secretary, HUD, should explore the use of involuntary salary deductions in the Single Family Assignment Program.

Status: Action in process. HUD is developing processes to implement federal employee salary offsets for single family mortgages held by HUD. Matches were made on active and retired federal employees in the OPM data base.

The Secretary, HUD, should require that all program managers comply with the act's interest, penalty, and administrative cost requirements.

Status: Action in process. HUD plans to start assessing penalties and administrative costs in the Title I Program. HUD is now passing on to Title I debtors actual private contractor collection costs up to a ceiling of about 2 percent of the debt.

The Administrator, FmHA, should require, where applicable, that program managers: (1) assess interest, penalties, and administrative costs; (2) implement the salary offset provision; and (3) explore selling portions of the FmHA loan portfolio. In carrying this out, FmHA may, under the Federal Claims Collection Standards, give appropriate consideration of any undue financial hardships that might result from its use of the particular collection tools

available to it, especially in view of the current farm crisis.

Status: Action in process. FmHA is: (1) developing the capability to assess interest, penalties, and administrative costs in its new accounting system, to be completed in 3 years; (2) currently matching an OPM tape against its delinquent debtors for use in salary offsets; and (3) planning a pilot sale of loans.

The Administrator of Veterans Affairs should raise the 4-percent interest rate currently charged on defaulted home loan guaranty cases.

Status: Action in process. VA is currently putting the necessary systems in place to raise the interest rate to the governmentwide standard for interest rates on delinquent debts.

Accounting Systems in Operation

Defense's Use of Emergency and Extraordinary Funds

AFMD-86-44, 06/04/86

Background

GAO reviewed whether adequate procedures are in place to control the Department of Defense's (DOD) use of funds allocated for emergency and extraordinary (E&E) expenses.

Findings

GAO found that: (1) DOD lacks management control of confidential E&E funds because the Office of the Secretary of Defense (OSD) has not issued a regulation governing the use of such funds; (2) although OSD issued a departmentwide regulation governing the use of E&E funds for official representation, DOD did not always follow

them; (3) there were instances in which DOD spent E&E funds on entertaining DOD personnel; (4) DOD components repeatedly used E&E funds for expenditures that were not of an emergency or extraordinary nature; (5) the lack of a departmentwide regulation resulted in inconsistencies in DOD component regulations; and (6) two DOD components do not require adequate separation of duties related to checking account responsibilities. GAO also found that: (1) certain fiscal year 1984 and 1985 expenditures for official representation were prohibited by regulations or used for nonemergency situations; and (2) although E&E funds may be spent for any purpose determined to be proper, regulations do not address the use of

E&E funds to pay for recurring events or entertaining DOD personnel.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Army and the Secretary of the Air Force to require the Army Intelligence and Security Command and the Air Force Office of Special Investigations to revise their regulations to require an adequate separation of duties in controlling checking accounts used for E&E funds.

Status: Action in process. Regulations will be revised to ensure proper internal

control by separation of duties in controlling checking accounts. DOD indicated that the revisions will be completed by March 9, 1987.

The Secretary of Defense should direct all DOD components authorized to use E&E funds for official representation

to examine their records for at least the past 2 fiscal years and obtain reimbursement for E&E expenditures that were made primarily for the benefit of DOD personnel.

Status: Action in process. DOD is reviewing the expenditures GAO questioned, and reimbursement will be con-

sidered in cases where it is appropriate. DOD believes, however, that no useful purpose would be served in reviewing all expenditures for the last 2 years. DOD is also reviewing existing procedures for approving the expenditure of funds for official representation.

Accounting Systems in Operation

Fish and Wildlife Service: Investigation of Alleged Accounting Violations

AFMD-86-61, 07/02/86

Background

In response to a congressional request, GAO examined the U.S. Fish and Wildlife Service's (FWS) fiscal year (FY) 1983 financial reports to determine their accuracy and whether any inaccuracies that may have occurred were due to official misconduct.

Findings

GAO found that FWS: (1) submitted inaccurate reports for its FY 1983 Resource Management Program; (2) did not promptly record \$420,000 of known obligations; (3) improperly charged \$900,000 to its FY 1984 appropriation; (4) did not determine whether a violation occurred until more than 2 years after the appropriation expired; and (5) spent an unreasonable amount of time determining whether a violation had occurred.

Open Recommendations to Agencies

The Secretary of the Interior should require FWS to adjust its accounting records to charge the contract modifications to the FY 1983 account.

Status: Action in process. Action has been directed by the Secretary.

The Secretary of the Interior should require FWS to report a violation of the Antideficiency Act unless FWS can identify and justify further adjustments that show an overobligation does not exist. Any such adjustments should be verified by the Office of Inspector General or another party deemed by the Secretary to be sufficiently independent.

Status: Action in process. The Secretary directed that Antideficiency Act violation reports be filed with the President and Congress.

The Secretary of the Interior should require FWS to incorporate into its standard operating procedures the requirement that all regional offices are to perform monthly reconciliations of their financial reports.

Status: Action in process. The Secretary directed all regional offices to perform monthly reconciliations of financial reports, but has not specified that the requirement be incorporated into FWS standard operating procedures.

Accounting Systems in Operation

Prompt Payment Act: Agencies Have Not Fully Achieved Available Benefits

AFMD-86-69, 08/28/86

Background

Pursuant to a congressional request, GAO reviewed whether federal agencies are complying with the Prompt Payment Act by making timely payments to private businesses for the goods and services they provide annually.

Findings

GAO evaluated payment procedures at 39 selected payment centers and found that: (1) 24 percent of federal vendor payments were made after the due date; (2) required interest penalties were seldom paid; (3) agencies paid only one of every six penalties owed; (4) almost one-fifth of the prompt payment discounts taken occurred after the offer period expired; and (5) prompt payments were usually late because of missing data and inaccurate agency interpretations of prompt payment requirements. GAO also found that: (1) federal agencies paid about 23 percent of their bills 5 or more days before they were due; (2) the annual reports on federal bill payment performance have been misleading and have not highlighted the need for corrective action; and (3) although federal agencies have taken some initiatives to reduce excessive late payments, they must establish controls to obtain necessary data and ensure the use of appropriate criteria when paying vendor invoices.

Open Recommendations to Congress

Congress should consider amending the Prompt Payment Act to add invoice

receipt dates to the existing criteria for establishing due dates for meat and perishable agricultural products. This could be accomplished by defining payment periods for these items as starting on the date the items are delivered or the date the invoice is received from the vendor, whichever is later.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director, Office of Management and Budget (OMB), should direct agencies to review their receiving and acceptance documents and associated procedural guidance to ensure that these documents, including invoices if used for this purpose, contain all pertinent data, including actual receipt and acceptance dates for goods or services. Also, receipt dates should be recorded on invoices and all such data should be forwarded to the appropriate payment center within OMB-established time frames.

Status: Action in process. In a recent letter to heads of departments and agencies, OMB asked that they ensure that payments are made as prescribed by the act and OMB Circular A-125. OMB also asked that agencies prepare a special status report as part of their Circular A-123 work.

The Director, OMB, should ensure that agencies have their procurement activities include payment due date terms

in all contracts. Also, terms from the underlying contracts should appear on delivery orders.

Status: Action in process. OMB stated that it would reiterate this requirement in letters to agencies and ensure that this requirement is included in the revised Federal Acquisition Regulation (FAR).

The Director, OMB, should instruct agencies to strengthen their payment process by ensuring that payment centers obtain applicable contracts and establish due dates and take discounts based on contract terms.

Status: Action taken not fully responsive. OMB disagreed with this specific recommendation for addressing the problem, but it will emphasize the need for payment centers to routinely receive this information.

The Director, OMB, should establish, in coordination with the Department of Defense (DOD) and other agencies that commonly make interim payments, what payment period would be in the best interest of the government.

Status: Action in process. OMB stated that it would revise the circular as soon as agencies reach an agreement on the proper timing.

The Director, OMB, should revise Circular A-125 to require that agencies include discount terms from the Federal Acquisition Regulation (FAR) in procurement contracts.

Status: Action in process. OMB is taking alternative action that will accomplish the same objective.

The Director, OMB, should modify Circular A-125 to define early payments as 5 or more days before the due date for payment centers, which mail scheduled payments to the Treasury for check issuance.

Status: Recommendation valid/action not intended. OMB does not plan to make such a change because it believes that agencies can achieve substantive compliance.

The Secretary of Defense should direct the military services to modify portions of their regulations to conform with policies in the Treasury Financial Manual if contracts or invoices do not contain due date terms for offered discounts.

Status: Action not yet initiated. DOD has not taken a formal position on this recommendation, but indications are that this change will be made.

The Secretary of Defense should direct the military services to modify portions of their regulations to conform with existing requirements for paying interest on any late payments of meat and perishable agricultural products. Pending any legislative change, interest should generally be paid regardless of whether an invoice was received in time to avoid paying late.

Status: Action not yet initiated. DOD has not taken a formal position on this recommendation, but DOD officials agreed that current practices are incorrect.

The Administrator of General Services, the Secretary of Defense, and the Administrator of the National Aeronautics and Space Administration (NASA), should modify the FAR to

incorporate prompt payment provisions. This modification should specify payment within 30 days of receipt of a proper invoice or acceptance of goods or services, whichever is later. If the revision defines acceptance for calculating due dates as a specific number of days after delivery, the number of days specified should be used consistently unless other terms are justified.

Status: Action in process. NASA, DOD, and the General Services Administration (GSA) published proposed changes to the FAR in the Federal Register. GAO commented on that proposal.

Target: Department of Defense

Status: Action in process. NASA, DOD, and GSA published proposed changes to the FAR in the Federal Register. GAO commented on that proposal.

Target: National Aeronautics and Space Administration

Status: Action in process. NASA, DOD, and GSA published proposed changes to the FAR in the Federal Register. GAO commented on that proposal.

Target: General Services Administration

The Administrator of General Services should investigate the feasibility and cost-effectiveness of paying utility bills based on equal monthly payments and reconciliation of payments against actual usage at the end of an established period, such as 12 months. If the results of this study are positive, GSA should take steps to implement such an approach, including submission of any needed legislative recommendations.

Status: Action not yet initiated. GSA has not formally responded to the report.

The Director, OMB, should expand agencies' reporting requirements and the summary report on late payments to selected congressional committees to also include the number, amounts, and percentage of commercial invoices paid: (1) during a grace period; and (2) after any applicable grace period that did not include any late payment penalties.

Status: Action in process. OMB asked agencies for this type of information.

The Director, OMB, should modify OMB Circular A-125 to require reporting of both interest penalties under the act and other kinds of late charges, such as those assessed against utility payments made after the payment due date.

Status: Action in process. OMB asked agencies for a position on this recommendation.

The Director, OMB, should clarify OMB Circular A-125 and its annual request for information from individual agencies by defining the term payment when used for reporting purposes to mean invoices.

Status: Action in process. OMB defined payments accordingly in its annual request for information.

The Director, OMB, should analyze internal agency evaluations of payment timeliness on a selective basis to validate or question agency-reported statistics.

Status: Action in process. OMB told GAO that it has taken steps to validate agency reporting, including asking agency inspectors general for assistance.

Accounting Systems in Operation

Loan Asset Sales: OMB Policies Will Result in Program Objectives Not Being Fully Achieved

AFMD-86-78, 09/25/86

Background

In response to a congressional request, GAO provided information on the Office of Management and Budget's (OMB) objectives and guidelines for agencies to follow in selling loan assets.

Findings

GAO found that OMB guidelines for loan asset sales: (1) require that all sales be made without future recourse to the federal government; (2) require that purchasers assume responsibility for collecting and servicing loan assets when such assets are sold; (3) would treat the loan asset sales proceeds as borrowings if sales are made with recourse to the government, which would be contrary to normal budgetary treatment of guarantees; and (4) will not assist in accurately measuring credit program subsidies, which is one of the program's objectives. GAO believes that: (1) the guidelines will not protect the government's best interests since the government will not be maximizing net proceeds on the sale of certain loan portfolios; (2) the proposed budgetary treatment of loan asset sales with limited recourse does not reflect the actual and potential economic consequences of such sales and is incorrect budgetary treatment; and (3) several of the requirements will result in overstating the subsidies associated with

credit programs and, therefore, OMB will not fully achieve its objectives.

Open Recommendations to Agencies

To fully maximize loan sale net proceeds and to fulfill the objectives of its loan asset sale program, the Director, OMB, should revise OMB guidelines for sale of loan assets to permit agencies to sell loan assets on a structured basis, which would include some form of future recourse to the government (or other credit enhancement) and permit servicing of sold loans by an entity other than the purchaser.

Status: Action in process. Estimated completion date: 12/86. The Conference Committee report on the fiscal year (FY) 1987 concurrent resolution on the budget directed agencies to sell loans in the manner to ensure that the government receives the best possible net proceeds from the sales but did not specify whether sales should be with or without recourse.

To fully maximize loan sale net proceeds and to fulfill the objectives of its loan asset sale program, the Director, OMB, should classify, for budget purposes, the government's maximum contingent liability under limited recourse

loan sales as borrowings and the unencumbered sale proceeds as receipts.

Status: Action in process. Estimated completion date: 12/86. The Conference Committee report on the FY 1987 concurrent resolution on the budget stated that nothing in the act is intended to dictate or endorse the manner in which loan sale proceeds are scored for deficit reduction purposes.

The Director, OMB, should not implement the OMB proposed policy for determining subsidies under the pilot loan assets sale program, but should revise the policy by considering the two methodologies discussed in this report. In addition, the Director should report to Congress on the method selected and include an appropriate justification for the selection.

Status: Action not yet initiated. OMB agrees that, if only old loans are sold from agencies' portfolios, the sales price received would not correctly measure the subsidy provided at the time they were made. OMB believes that its loan asset sales guidelines recognize this problem by directing agencies to sell both old and new loans from their portfolios.

Accounting Systems in Operation

Loan Asset Sales: OMB Policies Will Result in Program Objectives Not Being Fully Achieved

AFMD-86-79, 09/25/86

Background

In response to a congressional request, GAO provided information on the Office of Management and Budget's (OMB) objectives and guidelines for agencies to follow in selling loan assets.

Findings

GAO found that OMB guidelines for loan asset sales: (1) require that all sales be made without future recourse to the federal government; (2) require that purchasers assume responsibility for collecting and servicing loan assets when such assets are sold; (3) would treat the loan asset sales proceeds as borrowings if sales are made with recourse to the government, which would be contrary to normal budgetary treatment of guarantees; and (4) will not assist in accurately measuring credit program subsidies, which is one of the program's objectives. GAO believes that: (1) the guidelines will not protect the government's best interests since the government will not be maximizing net proceeds on the sale of certain loan portfolios; (2) the proposed budgetary treatment of loan asset sales with limited recourse does not reflect the actual and potential economic consequences of such sales and is incorrect budgetary treatment; and (3) several of the requirements will result in overstating the subsidies associated with

credit programs and, therefore, OMB will not fully achieve its objectives.

Open Recommendations to Agencies

To fully maximize loan sale net proceeds and to fulfill the objectives of its loan asset sale program, the Director, OMB, should revise OMB guidelines for sale of loan assets to permit agencies to sell loan assets on a structured basis, which would include some form of future recourse to the government, or other credit enhancement, and permit servicing of sold loans by an entity other than the purchaser.

Status: Action in process. Estimated completion date: 12/86. The Conference Committee report on the fiscal year (FY) 1987 concurrent resolution on the budget directed agencies to sell loans in the manner to ensure that the government receives the best possible net proceeds from the sales but did not specify whether sales should be with or without recourse.

To fully maximize loan sale net proceeds and to fulfill the objectives of its loan asset sale program, the Director, OMB, should classify, for budget purposes, the government's maximum contingent liability under limited recourse

loan sales as borrowings and the unencumbered sale proceeds as receipts.

Status: Action in process. Estimated completion date: 12/86. The Conference Committee report on the FY 1987 concurrent resolution on the budget stated that nothing in the act is intended to dictate or endorse the manner in which loan sale proceeds are scored for deficit reduction purposes.

The Director, OMB, should not implement OMB proposed policy for determining subsidies under the pilot loan assets sale program, but revise the policy by considering the two methodologies discussed in this report. In addition, the Director should report to Congress on the method selected and include an appropriate justification for the selection.

Status: Action not yet initiated. OMB agrees that, if only old loans are sold from agencies' portfolios, the sales price received would not correctly measure the subsidy provided at the time they were made. OMB believes that its loan asset sales guidelines recognize this problem by directing agencies to sell both old and new loans from their portfolios.

Internal Audit

The Federal Audit Function in the Territories Should Be Strengthened

AFMD-82-23, 03/25/82

Background

The principal U.S. territories of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands have had longstanding problems in their financial management systems. The Department of the Interior's U.S. Government Comptrollers are presently responsible for auditing all significant aspects of governmental operations and federal programs in these territories. Because of the substantial federal assistance provided to the territories and the difficulty they have improving and maintaining adequate financial management systems, the federal audit function is still needed. GAO reviewed the organization and the functions of the offices of the U.S. Government Comptrollers as part of its continuing efforts to improve the federal internal audit capability.

Findings

GAO stated that the Comptrollers are located in a line organization that has management responsibility for the

activities being audited and do not report to a high enough level in the Interior. Consequently, their independence has been impaired. Also, the establishment of close relationships between auditors and territorial officials may have affected the Comptrollers' ability to work in an impartial manner. GAO also found that a large portion of the Comptrollers' limited audit staff is devoted to preparing an ill-defined annual report of the fiscal condition of the government, and this is reducing their audit coverage of other territorial programs and operations. GAO concluded that a strengthened federal audit presence alone is not enough to improve the economy and efficiency of the territorial governments. The territories need to assume greater responsibility for establishing and maintaining strong financial management systems to ensure proper control and accountability over federal and local funds, but they cannot do the job alone; they need federal technical assistance. Such assistance, coupled with an improved territorial government internal audit capability, would further enhance federal audit effectiveness.

Open Recommendations to Agencies

The President's Personal Representative for Micronesian Status Negotiations should, when negotiating the remaining agreements terminating the Trust Territory of the Pacific Islands (TTPI), specifically the subsidiary agreement on auditing, develop a federal audit capability with respect to the new Governments of the Marshall Islands, the Federated States of Micronesia, and Palau with authority and responsibilities comparable to those of the U.S. Government Comptrollers.

Status: Action in process. These negotiations have been ongoing for a number of years and will probably continue for the foreseeable future. Although the President's Personal Representative for Micronesian Status Negotiations agreed with this recommendation, and has included it in the current draft agreement, the ultimate outcome may not be known for another year.

Internal Audit

Compliance With Professional Standards by the Commerce Inspector General

AFMD-85-57, 08/12/85

Background

GAO reviewed the Department of Commerce Office of the Inspector General's (OIG) compliance with professional standards to determine whether: (1) audits were conducted in accordance with generally accepted government auditing standards; (2) investigations were performed in compliance with professional standards; and (3) inspections complied with the Inspector General's (IG) own policies and procedures for documenting observations and recommendations contained in inspection reports.

Findings

GAO found that: (1) the IG audit function satisfactorily complied with the professional standards in the areas of staff qualifications, organizational and external impairments to independence, and fraud and abuse, but corrective action was needed in the areas of supervision, internal controls, and audit follow-up; and (2) the quality control system did not adequately communicate to the audit staff the policies and procedures to be followed to ensure compliance with audit standards in certain areas. GAO also found that: (1) IG satisfactorily complied with professional investigative standards concerning staff qualifications, screening allegations, and the establishment of a

quality assurance program, but corrective action was needed in the areas of preserving confidentiality, planning, and reporting; (2) IG made a number of improvements in the inspection functions, but there were still some problems in documenting the inspection work; and (3) improvements were needed in the written quality control policies and procedures to ensure better compliance with professional standards.

Open Recommendations to Agencies

To assist OIG in satisfactorily complying with certain aspects of the proposed standards, IG should prepare guidance for the investigators that alerts them to ways that investigative files can inadvertently provide clues about the identity of a confidential source.

Status: Action in process. OIG plans to provide specific guidance to all investigators.

To strengthen controls for ensuring investigators are free of financial impairments to their personal independence, IG should instruct new investigators at the GM-13 level and above to submit financial disclosures, which

IG or other OIG management officials will review.

Status: Action not yet initiated. IG plans to act on this recommendation as soon as the Department of Justice completes its ongoing study of the requirement for financial disclosure statements and conflicts of interest.

IG should determine why some investigators perceive inadequacies in staff training and appraisals and act to improve those perceptions.

Status: Action in process. IG established a goal for every investigator to receive a basic investigative course, followed by 40 hours of technical training each year.

IG should require that inspection reports include appropriate scope statements and limitations.

Status: Action taken not fully responsive. IG Directive 7110, Inspection Performance, does not specifically require inspection reports to include appropriate scope statements and limitations.

Internal Audit

Justice Department: An Assessment of the Need for a Statutory Inspector General

AFMD-86-8, 02/24/86

Background

Pursuant to a congressional request, GAO reviewed the organization and operation of the Department of Justice's audit and investigative activities to: (1) determine how they differ from those authorized under the Inspector General Act of 1978; (2) offer a recommendation on whether Justice should have a statutory inspector general (IG); (3) address Justice's objections to establishing an IG; and (4) provide information on the different methods of structuring a Justice IG.

Findings

GAO found that, unlike other federal agencies whose investigations and audits are carried out by personnel and organizations that are independent of department operations, Justice's audit and investigative units are not organizationally independent which could affect their impartiality. Impairments

exist since the five bureau-level investigative units determine what items are significant enough to report. There is also no assurance that the Attorney General is promptly apprised of the work of the investigative units because reports must pass through many officials to reach him. GAO found that there is no one person or office responsible for coordinating audits and investigations. Justice's opposition to an IG concern the impact of an IG on departmental law enforcement operations and the ability of the Attorney General to exercise broad-based discretion in directing Justice's investigative, prosecutorial, and litigation functions. However, the act specifically requires an IG to: (1) comply with Comptroller General's standards for audits of federal establishments, organizations, programs, activities, and functions; (2) promote efficiency and effectiveness in a department's programs and operations; and (3) alert an agency head of serious problems rather than become involved

in an agency's line of effort. The audit and investigative units selected for inclusion in Justice's IG office will determine the nature of the role of the IG within the agency.

Open Recommendations to Congress

Congress should amend the Inspector General Act of 1978 to establish an Office of Inspector General at Justice in order to: (1) strengthen management's control; (2) promote efficient and effective operation; (3) combat fraud, waste, and abuse; and (4) ensure that the Attorney General and Congress are kept fully and currently informed of any serious problems.

Status: Action not yet initiated.

Internal Audit

Nonstatutory Audit and Investigative Groups Need To Be Strengthened

AFMD-86-11, 06/03/86

Background

Pursuant to a congressional request, GAO: (1) identified and verified the names of various audit and investigative groups not subject to inspector general legislation; (2) determined audit group missions, their staffing level, and the existence of follow-up procedures;

and (3) reviewed selected aspects of audit operations.

Findings

GAO found that: (1) 12 of the 41 agencies with audit groups not subject to statutory requirements had impairments to the independence of their audit

organizations; (2) at four agencies, important agency functions received little or no audit coverage; (3) audit and investigative staffs did not evaluate most of the investigations of alleged fraud and abuse or track the causes of illegal activities; and (4) audit resolution and follow-up systems did not meet governmental requirements.

Open Recommendations to Agencies

The heads of ACTION, the Peace Corps, the Export-Import Bank (Eximbank), the Interstate Commerce Commission (ICC), the Department of Justice, the Merit Systems Protection Board (MSPB), the National Labor Relations Board (NLRB), the National Railroad Passenger Corporation (Amtrak), the National Science Foundation (NSF), the Department of the Treasury, and the Federal Reserve System should take immediate steps to ensure that the heads of audit units report directly to them or their deputies.

Status: Action not yet initiated. ACTION is conducting a review of changes necessary to ensure compliance with subject recommendations. As of December 1, 1986, the review was not completed.

Target: ACTION

Status: Recommendation valid/action not intended. The Peace Corps contends that current organizational status results in sufficient audit independence. While the audit group reports organizationally to the Associate Director for Management, it does have direct access to the agency head.

Target: Peace Corps

Status: Action not yet initiated. Eximbank has not determined what action will be taken. It stated that it will develop a position in the near future.

Target: Export-Import Bank of the United States

Status: Recommendation valid/action not intended. ICC has not taken action because the audit group does not audit the organization of which it is a part.

Target: Interstate Commerce Commission

Status: Recommendation valid/action not intended. Justice contends that action is not needed because the audit group reports to the head of the agency in those instances where it is auditing the organization it reports to.

Target: Department of Justice

Status: Recommendation valid/action not intended. The MSPB audit office does not report to the head of the agency or the deputy.

Target: Merit Systems Protection Board

Status: Recommendation valid/action not intended. The NLRB audit group reports to the Director of Administration, who is responsible for accounting and other functions subject to audit.

Target: National Labor Relations Board

Status: Recommendation valid/action not intended. Amtrak contends that internal audit reports on all substantive matters despite being organizationally placed below the VP-Law.

Target: National Railroad Passenger Corporation (Amtrak)

Status: Recommendation valid/action not intended. NSF contends that the audit group has full and immediate access to it, as well as, the National Science Board Committee on Audit and Oversight. Also, whenever an audit of the Controller's activities, to whom the audit group reports, is proposed or conducted, the agency head will make all decisions.

Target: National Science Foundation

Status: Recommendation valid/action not intended. Treasury contends that the heads of the law enforcement audit offices, who report to the head of its bureaus and not to the agency head or deputy, are independent because: (1) they are overseen by the Inspector General (IG) who reports to the agency head; and (2) their significant findings

are reported monthly to the agency head by the IG.

Target: Department of the Treasury

Status: Action not yet initiated. This recommendation is under active consideration by the Chairman and the Federal Reserve.

Target: Federal Reserve System

The Directors of the Federal Emergency Management Agency (FEMA), NSF, the Office of Personnel Management (OPM), and the Acting Chairman of the Farm Credit Administration (FCA) should ensure that all important and vulnerable agency programs and functions are reviewed.

Status: Action in process. Audits of all areas identified by GAO as needed are either completed or underway.

Target: National Science Foundation

Status: Action in process. The agency head has asked the audit group to draw up plans to provide audit coverage for all major and vulnerable areas.

Target: Federal Emergency Management Agency

Status: Action not yet initiated. OPM is studying the feasibility of supplementing current IG staff with sufficient resources to review OPM retirement and insurance benefit programs.

Target: Office of Personnel Management

Status: Recommendation valid/action not intended. FCA did not address this recommendation in its response to GAO.

Target: Farm Credit Administration

The Directors, FEMA and NSF, should establish audit resolution and follow-up procedures.

Status: Action in process. Software for a follow-up system to monitor and update compliance with audit recommendations is being developed. This should be completed early in fiscal year 1987.

Target: National Science Foundation
The Inspector General, OPM, and the Director of Audit, FCA, should evalu-

ate all of the significant fraud problems confronting their agencies to determine underlying causes and systemic weaknesses in order to identify preventive measures needed.

Status: Action not yet initiated. OPM is studying the feasibility of setting up an Office of Inspector General fraud detection and audit unit to evaluate retirement fraud.

Target: Office of Personnel Management

Status: Recommendation valid/action not intended. FCA does not plan to take action on this recommendation and contends it is not a proper role for the audit group.

Target: Farm Credit Administration

Internal Audit

Compliance With Professional Standards by the Agriculture Inspector General

AFMD-86-41, 09/30/86

Background

GAO reviewed the Department of Agriculture's (USDA) Office of Inspector General's (OIG) compliance with professional standards in conducting audits and investigations.

Findings

GAO found that, of the 23 audit and investigation standards it reviewed, OIG satisfactorily complied with 18. Although OIG complied with certain aspects of the other 5 standards, GAO found that: (1) some OIG supervisors did not document their reviews of subordinates' work and their reviews of evidence to support report statements; (2) auditors did not have evidence to support some report statements; (3) some audit reports were not clear, concise, and convincing; (4) OIG investigators did not prepare plans for most of the investigations reviewed; and (5) OIG staff could not always locate case files in records storage centers. GAO believes that, in addition to improvements needed to bring OIG into satisfactory compliance with certain standards, OIG needs to: (1) develop a written strategic plan for each of the program areas it audits; and (2) consider revising training plans for investigators.

Open Recommendations to Agencies

To assist OIG in satisfactorily complying with certain aspects of audit standards, the Inspector General (IG) should strengthen quality controls over audit reports by developing and implementing a mechanism, such as referencing, to help ensure the adequacy of evidence and to improve report presentation.

Status: Action in process. Estimated completion date: 01/87. OIG is developing and implementing a mechanism, such as referencing.

To assist OIG in satisfactorily complying with certain aspects of audit standards, IG should require supervisors to: (1) review the extent that staff assistants adhere to audit plans; and (2) document the reviews.

Status: Action in process. Estimated completion date: 01/87. OIG is developing a draft section on this recommendation for the OIG manual.

To increase the ability of annual audit planning to bring OIG to bear on the

most significant department issues, IG should develop a written strategy for each of the program areas OIG audits.

Status: Action in process. Estimated completion date: 01/87. OIG is preparing a section on this for its directive system and OIG staff are considering various strategies for the different program areas.

To increase the discipline for sound financial management, enhance oversight, and help ensure financial integrity, IG should redirect his current financial audit program toward the long-range objective of expressing financial and compliance opinions on the accuracy and adequacy of total agency financial reports.

Status: Action in process. Estimated completion date: 01/87. OIG is identifying audits in its 1987 plan where financial reports can be reviewed and considering other ways to redirect its financial audit program.

Reviewing internal controls is particularly important because of the government's renewed emphasis on

agency internal controls pursuant to the Financial Integrity Act. When material weaknesses in internal controls are identified in OIG audits, IG should require that the audit report disclose whether or not these weaknesses were included in the agency's reporting under the Financial Integrity Act. This will make OIG audit reports more useful to OIG and other audit groups in subsequent work done under the act.

Status: Action in process. Estimated completion date: 01/87. OIG is developing a policy directive on this recommendation.

To ensure that field offices track audit recommendations until implementation, IG should: (1) instruct auditors on OIG policy to keep recommendations open in the tracking system until corrective action has been taken; and (2) require regional IG's to approve the closing of all recommendations.

Status: Action in process. Estimated completion date: 02/87. OIG is revising its manual to instruct auditors on OIG policy to keep recommendations open in the tracking system.

To provide more understandable information in semiannual reports and to avoid overstating audit savings, as well as questioned costs and loans, IG should

define questioned costs and loans to include only outlays which auditors believe should not be charged to programs and, potentially, may be paid back to the government.

Status: Action in process. Estimated completion date: 01/87. OIG is developing instructions on outlays which auditors believe should not be charged to programs.

To provide more understandable information in semiannual reports and to avoid overstating audit savings, as well as questioned costs and loans, IG should only show audit findings as savings when USDA management has implemented OIG recommendations.

Status: Recommendation valid/action not intended. OIG does not concur with this recommendation and is bringing the matter to the attention of the President's Council on Integrity and Efficiency (PCIE). Also, GAO is bringing this matter to the attention of the Office of Management and Budget to inform OIG on how to present audit results.

To provide more understandable information in semiannual reports and to avoid overstating audit savings, as well as questioned costs and loans, IG should clearly state that the "potential recov-

eries" are subject to reduction under debt collection procedures.

Status: Action in process. Estimated completion date: 01/87. OIG is developing instructions on potential recoveries, which are subject to reduction under debt collection procedures.

To provide more understandable information in semiannual reports and to avoid overstating audit savings, as well as questioned costs and loans, IG should consistently define and use the same terminology in the various sections of the semiannual report.

Status: Action in process. Estimated completion date: 01/87. OIG is developing instructions on using the same terminology in various sections of the semiannual report.

To help ensure the quality of all OIG investigative activities, IG should extend the quality-assurance program to include evaluating the investigative work done by the special investigations unit in Washington.

Status: Action in process. OIG is revising the quality assurance program to include evaluating the special investigations unit.

Internal Audit

Compliance With Professional Standards by the EPA Inspector General

AFMD-86-43, 09/30/86

Background

GAO reviewed the Environmental Protection Agency's (EPA) Office of Inspector General (OIG) to determine whether OIG: (1) audit functions complied with Comptroller General and President's Council on Integrity

and Efficiency (PCIE) standards; and (2) investigation function satisfactorily complied with PCIE quality and professional standards.

Findings

GAO found that: (1) OIG satisfactorily complied with 20 of the 23 audit and

investigation standards used in assessing OIG operations; and (2) OIG needs to take corrective action to bring it into satisfactory compliance with certain aspects of three standards in the areas of evaluating and reporting on internal control systems, gathering evidence to support audit report state-

ments, and developing an annual investigation plan. While OIG did not comply with some audit and investigation standards, GAO did not identify any cases where there was cause to question OIG findings in audits and investigations reviewed.

Open Recommendations to Agencies

To assist OIG in satisfactorily complying with certain aspects of the audit standards, the Inspector General (IG) should develop and implement policies and procedures clarifying the applicability of audit standards for desk audits.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should require the use of OIG checklists to provide greater assurance that audit supervisors document and retain supervisory reviews of all work products.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should develop and implement policies and procedures outlining when an identification and evaluation study of internal control is required.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the audit

standards, IG should develop and implement policies and procedures requiring the reporting of the scope of internal control work.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should develop and implement a quality-assurance mechanism, such as referencing, to help ensure the adequacy of evidence.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should resolve the inconsistencies between OIG and EPA on public access to audit reports.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To increase the discipline for sound financial management, enhance oversight, and help ensure financial integrity, IG should expand his current financial program by performing additional audits which examine financial reports and the reliability of accounting systems which produce the reports. Eventually, more OIG audits should be undertaken with the objective of expressing an opinion on the accuracy and adequacy of the EPA financial reports.

Status: Action in process. Estimated completion date: 12/86. The action plan

is being prepared and is to be forwarded to GAO by December 29, 1986.

To enhance its audit follow-up efforts, IG should develop and implement policies and procedures for tracking and ascertaining, on a systematic basis, the audit resolution of OIG recommendations.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To enhance its audit follow-up efforts, IG should coordinate with agency follow-up officials to obtain feedback on the status of actions taken to implement OIG recommendations.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

To assist OIG in satisfactorily complying with certain aspects of the standards, IG should develop an annual investigation plan which specifies the goals, objectives, or tasks to be accomplished, and the accomplishments, benefits, or results to be derived from attaining the goals.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

IG should establish a system for cross-referencing investigation cases.

Status: Action in process. Estimated completion date: 12/86. The action plan is being prepared and is to be forwarded to GAO by December 29, 1986.

Regulatory Accounting Rules and Financial Reporting

Disclaimer of Opinion on the Financial Statements of the Pension Benefit Guaranty Corporation for FY 1980

AFMD-82-42, 06/23/82

Background

GAO examined the combined statement of the financial condition of the Pension Benefit Guaranty Corporation (PBGC) as of September 30, 1980, the related combined statements of operations and changes in the deficiency in net assets, and the changes in financial condition for the year then ended.

in the report, GAO was not able to express an opinion on whether PBGC statements presented fairly its financial condition and the results of its operations and changes in financial condition for fiscal year 1980.

sons for changes in the pension plan inventory and establish allowances in the financial statements for expected variances; (4) establish accounting controls and procedures to reconcile financial data maintained by separate computer systems; and (5) develop policies and procedures for substantiating information provided by external organizations.

Open Recommendations to Agencies

Findings

The examination disclosed material accounting and estimating problems, internal control weaknesses, and major uncertainties that significantly reduce the reliability of important account balances. Because of the matters discussed

The Executive Director, PBGC, should: (1) develop a system for financial statement reporting that values benefits on a current, individual participant basis; (2) substantiate the reasonableness of actuarial assumptions, estimation techniques, and models; (3) determine rea-

Status: Action in process. Estimated completion date: 12/86. A follow-up examination by a certified public accounting firm is scheduled to start by December 31, 1986 to determine the PBGC process.

Regulatory Accounting Rules and Financial Reporting

Inspectors General Find Significant Problems

AFMD-86-20, 12/05/85

Background

In response to a congressional request, GAO reviewed the quality of audits performed by certified public accountants (CPA) to determine: (1) their compliance with professional standards; (2) the extent of quality problems on audits of federal funds; and (3) the causes of these problems.

reports reviewed; (3) IG did not accept one in five audits in which the required audit work was not performed, or the audit documentation was inadequate or unclear after reviewing the auditors' working papers; and (4) although IG worked with CPA to correct problems on individual audits, additional efforts are needed to make use of the data in these individual case files. GAO also found that IG: (1) have uneven policies and practices for reviewing the work of CPA; (2) rarely take action against CPA when they identify unacceptable audit work; and (3) do not systematically compile, analyze, and use the results of their quality control reviews

(QCR) to correct recurring audit quality problems.

Open Recommendations to Agencies

The Statutory Inspectors General should work with the American Institute of Certified Public Accountants (AICPA) and appropriate state boards of accountancy to expedite referrals to these bodies.

Findings

In its review of quality control systems used by federal inspectors general (IG), GAO found that: (1) IG have identified significant numbers of problem reports and audits; (2) IG have identified reporting problems needing correction in one out of four audit

Status: Action in process. Estimated completion date: 03/87. This will be an ongoing activity between IG and AICPA for the next 6 months.

Regulatory Accounting Rules and Financial Reporting

Examination of GSA's Fiscal Year 1985 Financial Statements

AFMD-86-55, 06/11/86

Background

Pursuant to a congressional request, GAO examined the General Services Administration's (GSA) fiscal year (FY) 1985 financial statements, specifically its internal accounting controls system.

reported balance; and (5) promptly reconcile its liability for telephone usage with actual bills received and paid.

Open Recommendations to Agencies

The Administrator of General Services should reemphasize the need for GSA employees to comply with established internal control requirements. Specifically, the Administrator should direct the heads of each GSA major service and office to: (1) review, within their respective areas of responsibility, the status of compliance with applicable internal accounting controls; (2) report to the Administrator, in writing, on all areas where compliance is not being achieved; and (3) provide the Administrator with a detailed plan for

corrective actions, including anticipated accomplishment dates.

Status: Action in process. Estimated completion date: 09/87. GSA progress is being reviewed as part of a GAO audit of GSA FY 1986 financial statements.

Findings

GAO found that GSA failed to: (1) fully support its general ledger balances with detailed subsidiary records and quickly resolve any discrepancies; (2) ensure prompt billing of customers for automatic data processing services; (3) adequately control the process of recording unbilled accounts receivable and related revenue for services provided through third-party subcontractors; (4) promptly analyze and adjust discrepancies between its cash balance and the Department of the Treasury's

To help ensure this effort achieves the results intended, the Administrator of General Services should request the GSA Inspector General to monitor and report on the adequacy of the reviews by the offices and services and the effectiveness of the corrective actions undertaken.

Status: Action in process. Estimated completion date: 12/87. GSA progress is being reviewed as part of a GAO audit of GSA FY 1986 financial statements.

General Government

Funding Gaps Jeopardize Federal Government Operations

PAD-81-31, 03/03/81

Background

Interruptions in federal agency funding at the beginning of the fiscal year (FY) and operating on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for FY 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the act requires agencies to terminate all operations when their current appropriations expire. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the act in cases of future willful violations.

Findings

Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps: (1) Congress could enact permanent legislation authorizing agencies to incur obligations but not expend funds for continued operations during periods of expired appropriations; (2) the Antideficiency Act could be amended to allow agencies to incur obligations for continued operations when appropriations expire; (3) the rules of both Houses could be amended to require all appropria-

tions acts to include language conferring authority to continue to incur but not liquidate obligations at the level authorized until superseded by another funding measure; (4) limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay of federal civilian and military employees could be provided for in periods of expired appropriations.

Open Recommendations to Congress

Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years.

Status: Action in process.

An Assessment of the Need for a Statutory Inspector General

AFMD-86-3, 08/21/86

Background

In response to a congressional request, GAO reviewed the audit and investigative activities the Department of Treasury's organizational units conducted, focusing on the differences and similarities between the organization and operation of those units and those of the statutory offices of inspector general in other executive branch departments and agencies.

Findings

GAO found that: (1) Treasury's Inspector General (IG) has audit and investigative responsibility for only 11 percent of Treasury's operating budget, while law enforcement bureaus' internal affairs and inspection staffs audit and investigate 89 percent of the budget; (2) the law enforcement bureaus report the results of their internal audits and investigations to bureau management; (3) since the head of

internal affairs determines which audits are significant and reports them to IG, there is no assurance that the Secretary is informed of audit and investigative issues that could have a department-wide impact; and (4) Treasury does not routinely inform Congress about its audit and investigative activities.

Open Recommendations to Congress

Congress should amend the Inspector General Act of 1978 to establish an

Office of Inspector General at Treasury in order to strengthen management's control, promote efficient and effective operation, combat fraud, waste, and abuse, and ensure that the Secretary of the Treasury and Congress are kept

fully and currently informed of any serious problems. The Internal Revenue Service should be included under the new statutory IG. Congress could also consider special legislative provisions to accommodate Treasury's concerns over

the possible disclosure of sensitive law enforcement and tax information.

Status: Action not yet initiated.

Central Fiscal Operations

Improvements Needed in Controlling and Accounting for Treasury Banking Arrangements

AFMD-85-22, 04/03/85

Background

GAO reported on controlling and accounting for Department of the Treasury banking arrangements with commercial banks for handling federal agencies' deposits.

Findings

GAO found that Treasury's costs to have commercial banks process the deposits were being increased by about \$14 million annually because delays deprive Treasury of the use of the funds and increase the government's interest cost to the extent that additional funds need to be borrowed to meet commitments. GAO also found deficiencies in controls over bank delays of funds collected through lockboxes and the Treasury Financial Communications System (TFCS).

Open Recommendations to Agencies

The Secretary of the Treasury should examine alternative controls for preventing and detecting bank delays in transferring agencies' deposits. These alternatives should include requiring agencies, rather than commercial banks, to initiate automated clearing-house funds transfers from the Treasury

General Account banks to Treasury's Federal Reserve account.

Status: Recommendation valid/action not intended. Treasury stated that it is not in a position, at this time, to examine alternative controls. Treasury wants to try to implement an automated system for identifying fund transfer delays before considering this recommendation. The planned system is scheduled for completion in fiscal year (FY) 1987.

The Secretary of the Treasury should advise federal agencies of their responsibilities for detecting bank delays.

Status: Action taken not fully responsive. Treasury issued a Treasury Financial Manual Bulletin to advise the agencies how to date deposit slips. However, the bulletin did not instruct the agencies on how to use those dates to detect bank delays.

The Secretary of the Treasury should evaluate whether Federal Reserve operation of the revised Treasury General Account system would produce greater control at less overall cost to the government.

Status: Recommendation valid/action not intended. Treasury currently has a contract with a commercial bank for operation of the system through September 1987. Treasury will consider any Federal Reserve offers to operate the system at that time.

The Secretary of the Treasury should establish control standards for monitoring lockbox collections that must be implemented by all agencies using those systems.

Status: Action in process. Treasury is drafting the necessary standards.

The Secretary of the Treasury should determine whether it would be cost-effective to revise current procedures to allow the Federal Reserve to accept all funds received through TFCS even though agency identification may be inaccurate.

Status: Recommendation valid/action not intended. Treasury rejected this recommendation. The Financial Management Service's policy requires that accurate data be entered into the accounting system. Treasury does not believe there is a feasible alternative.

Central Personnel Management

Comparison of Federal and Private Sector Pay and Benefits

GGD-85-72, 09/04/85

Background

Pursuant to a congressional request, GAO provided current information on private sector and federal white-collar employee compensation packages. By law, federal employees' salaries are set at a level equitable and comparable with similar levels of work in the private sector unless the President proposes alternative federal pay rates. There is no such requirement for benefits comparability. GAO analyzed several pay and benefits comparability studies conducted by private and federal organizations but did not independently validate the data contained in the studies.

Findings

GAO noted that an independent study found that: (1) as of 1984, federal employees' total compensation averaged 7.2 percent less than that for private sector employees; and (2) in 1985, the difference increased to 9 percent or more because the federal pay increase

for 1985 was limited to less than the average pay increase in the private sector. GAO found that: (1) frequent presidential use of alternative pay rates caused pay for federal employees to lag significantly behind that for private sector employees; (2) an 18.28 percent federal pay increase would be necessary to achieve federal pay comparability in 1985; (3) the federal retirement system is better than the average private sector system because it is worth more as a percentage of the average employee's pay, and federal retirement benefits are adjusted annually to offset consumer price increases; (4) private studies indicated that private sector employers generally pay a higher share of employee health insurance premiums than does the government; (5) private sector employee life insurance programs provide more basic coverage than the federal employee program, usually at no cost to the employee; (6) while federal employees generally receive one less holiday than private sector employees, this is offset by more generous federal

annual leave benefits; and (7) federal sick leave lags behind the average private sector illness and disability income plan by 0.7 percent of pay.

Open Recommendations to Congress

In considering future changes and adjustments to elements of the federal compensation program, Congress may wish to make such decisions from the perspective of their effect on overall compensation levels. If such an approach is deemed appropriate, a mechanism for periodically measuring and assessing benefit program comparability will be necessary to complement the pay comparability process already required by law.

Status: Action not yet initiated.

Central Personnel Management

Federal Civilian Personnel: Federal Labor Relations Authority and Administrative Roles and Case Processing

GGD-86-57, 03/26/86

Background

In response to a congressional request, GAO examined the Federal Labor Relations Authority (FLRA) to: (1) review the administrative responsibilities of the Chairman and General Counsel, FLRA; and (2) devel-

op FLRA case load and case processing data.

Findings

FLRA has four major subunits: (1) the Authority, composed of three members and their staff; (2) the Office of General Counsel (OGC); (3) the Office

of Administrative Law Judges; and (4) the Federal Service Impasses Panel. GAO found that: (1) the members of the Authority and the General Counsel disagree as to whether the Chairman or the General Counsel should control the budget and staff allocations for OGC; (2) Congress established OGC as a separate, independent office to prose-

cute cases, with the Authority as the adjudicatory arm, but failed to clarify their administrative responsibilities; and (3) the relevant statutes and their legislative histories do not resolve the issue of control of OGC funds. FLRA processes four categories of cases: (1) unfair labor practice (ULP) allegations; (2) representation petitions; (3) exceptions to arbitration awards; and (4) negotiability appeals. GAO found that: (1) the number of ULP cases decreased between fiscal years (FY) 1983 and 1985; (2) while the total number of OGC dispositions of representation petitions remained constant, significant declines in representation case-processing time

and cases pending occurred in the Authority; (3) the number of arbitration case closures has more than doubled between FY 1983 and 1985; and (4) the number of negotiability appeals the Authority closed increased from 141 to 198 between FY 1983 and 1985.

Open Recommendations to Congress

Congress may wish to specify in legislation the Chairman's and the General Counsel's administrative responsibilities. The budgetary independence accorded to the General Counsel

of the National Labor Relations Board (NLRB) and the Special Counsel of the Merit Systems Protection Board (MSPB) could serve as useful models for resolution of this issue at FLRA. Both NLRB and MSPB have interpreted the legislative mandate for an independent prosecutor to mean that the adjudicatory body cannot assert control over the budget of the independent prosecutor.

Status: Action taken not fully responsive.

Central Personnel Management

Assessment of Federal Employees' Group Life Insurance Program

GGD-86-28, 04/07/86

Background

In response to a congressional request, GAO: (1) compared the Federal Employees' Group Life Insurance (FEGLI) Program to private sector programs; (2) determined whether the program's premiums could be reduced; (3) identified any needed program reforms; and (4) analyzed FEGLI participation.

only to employees age 40 and younger. GAO found that, although FEGLI has reduced its premiums by 44 percent during the past 10 years, the government could reduce employee costs by an additional 7.5 percent by: (1) updating the economic assumptions in the program to be consistent with those used in determining the civil service retirement system's costs; and (2) assuming responsibility for the FEGLI unfunded liability which it created due to past funding insufficiencies. In contrast with other government life insurance programs which invest their available funds in special nonmarketable federal securities, the Office of Personnel Management (OPM) has employed various investment strategies for FEGLI funds. GAO found that the nonmarketable federal securities: (1) would be particularly appropriate for FEGLI investments because of their long-term nature; and (2) earned a higher return during 6 of the past 10 years. GAO noted that 90 percent of eligible federal employees, about 2.3 million, participate in FEGLI and 955,000 elect coverage for their families.

Open Recommendations to Congress

Since total federal compensation currently lags behind the private sector and FEGLI is inferior to private sector programs, Congress should consider making FEGLI comparable to the benefits available to private sector employees.

Status: Recommendation valid/action not intended.

Findings

Congress intended that the FEGLI program be comparable to private sector life insurance programs. GAO noted that this objective has not been achieved because: (1) private sector plans no longer require their employees to share costs, while nonpostal federal employees pay two-thirds of the cost of FEGLI basic insurance; and (2) private sector employers typically provide basic life insurance coverage equal to 1.5 to 2 times an employee's pay, and FEGLI provides similar coverage

Open Recommendations to Agencies

The Director, OPM, should seek legislative authorization to permit the investment of FEGLI funds in special nonmarketable federal securities.

Status: Recommendation valid/action not intended. OPM did not think that there was a compelling reason to change the investment practices of the life insurance fund.

Executive Direction and Management

Improved Standards Needed for Managing and Reporting Income Generated Under Federal Assistance Programs

GGD-83-55, 07/22/83

Background

GAO reviewed federal agencies' and grantees' policies and practices for managing and reporting income generated under federally assisted programs.

Findings

GAO found that a number of federal agencies have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or are not adequately implementing their grant-related income regulations. GAO also found that the OMB standards do not address all grant-related income issues and that the income reporting requirements are not clear. As a result, the objectives which the income standards sought to attain, such as using the income to increase the size of federally assisted programs or to reduce the federal government's and grantees' share of program costs, are not always being attained.

Open Recommendations to Agencies

The Director, OMB, should revise Circulars A-102 and A-110 to expand the definition of program income and the financial reporting requirements to ensure that all income generated under federally assisted projects, including interest and sales proceeds, is accounted for and reported by assistance recipients.

Status: Action in process. OMB is currently reviewing all circulars for necessary revision. There are no comments because Circular A-102 is still being revised.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards for the disposition of interest earned on: (1) program income; (2) funds not pending disbursement because of completed projects, audit exceptions, or contract settlements; and (3) sales proceeds.

Status: Action in process. OMB is currently reviewing all circulars for needed revision. There are no comments because Circular A-102 is still being revised.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards addressing the timing and allowability of program income expenditures and the classification of income derived from products of the land such as oil, gas, minerals, gravel, and standing timber.

Status: Action in process. OMB is reviewing all circulars for needed revision. There are no comments because Circular A-102 is still being revised.

The Director, OMB, should revise Circulars A-102 and A-110 to expand the description of the deductive option

to note that its objective of reduced costs to the government will not be achieved unless total grantee expenditures are limited to the budgeted amount approved in the grant award.

Status: Action in process. OMB is reviewing all circulars for needed revision. There are no comments because Circular A-102 is still being revised.

The Director, OMB, should revise Circulars A-102 and A-110 to incorporate in the standards a statement that federal agencies should specify in their regulations which program income option is to be used by grantees when grant agreements fail to specify an option.

Status: Action in process. There are no comments because Circular A-102 is still being revised.

The Director, OMB, should revise Circulars A-102 and A-110 to clarify in the instructions for Standard Forms 270 and 272, that all income retained by grantees is to be subtracted on their requests for drawdowns.

Status: Action in process. OMB is reviewing all circulars for needed revision. There are no comments because Circular A-102 is still being revised.

Executive Direction and Management

Accuracy, Cost, and Users of the Consolidated Federal Funds Report

AFMD-85-1, 10/01/84

Background

In accordance with the Consolidated Federal Funds Report Act, GAO examined the accuracy of the data in the Consolidated Federal Funds Report (CFFR), its cost, and its potential users.

Findings

The fiscal year (FY) 1983 CFFR provided statistical data on the geographic distribution of federal funds to states, counties, and cities in a two-volume document and a computer tape. The estimated cost for the 1983 CFFR was about \$476,000. The 1983 CFFR reflected approximately 85 percent of the domestic budget, with the major exclusion being net interest on the federal debt. GAO found that the visibility of funds reported in CFFR declined progressively at each lower geographic level, with data at the subcounty level being so limited that their usefulness was questionable. The decline in data

availability was due to the fact that the data sources on which CFFR was based generally did not track dollars to the location of all the actual recipients. In addition, inherent difficulties existed in converting the various geographic coding schemes used by the data sources to the coding scheme used by the Census Bureau. A broad spectrum of user groups expressed a need for the CFFR data. Some users were particularly concerned about the lack of data available on pass-through funds below the state level. Many user groups expect CFFR to meet some of their needs, but they will probably use it along with other sources. However, user knowledge is limited.

Open Recommendations to Agencies

The Director of the Office of Management and Budget (OMB) should

continue efforts to explore the feasibility of various alternatives to increase the visibility of pass-through funds data at the county level and include these data in future reports if such alternatives are cost-effective.

Status: Action in process. OMB incorporated some pass-through fund data in the FY 1985 report and is exploring ways to provide additional data in future reports.

The Director, OMB, should continue to work with user groups to identify their data needs and to obtain their input on desired improvements.

Status: Action in process. OMB is currently working with users and should continue this type of coordination to determine ways to improve the report.

Executive Direction and Management

Unreliable Evaluations Detract From Treasury's Progress To Implement the Financial Integrity Act

GGD-86-10, 10/10/85

Background

GAO reviewed the Department of the Treasury's progress in evaluating its internal controls and accounting systems under the Federal Managers' Financial Integrity Act (FIA).

Findings

GAO found that Treasury is: (1) correcting the two material weaknesses it identified in its previous FIA report; and (2) improving its accounting systems to bring them into conformance with FIA requirements. GAO also found that, while vulnerability assessments

are a crucial part of the FIA process, Treasury's assessments are unreliable because: (1) managers of identical functions rated like variables differently; (2) managers frequently did not consider major operations of assessed functions; and (3) it failed to evaluate certain significant automatic data processing (ADP) systems and internal controls.

The Customs Service is developing an alternative approach to vulnerability assessments that may improve the reliability of future assessments. In addition, GAO found that 6 of Treasury's 26 accounting systems conformed with the Comptroller General's requirements, 2 systems did not conform, and 18 systems conformed in all material respects with limited instances of nonconformance.

Open Recommendations to Agencies

The Secretary of the Treasury should define the ADP facilities, systems, and controls which are to be evaluated through the Risk Management Program and/or the FIA evaluation process.

Status: Action in process. Treasury drafted a revision to its Information Systems Risk Management Program directive which requires Treasury organizations to identify the sensitivity level of every information system and to

periodically analyze risk in its systems and facilities. The revised directive also requires coordination with Treasury's internal control process.

The Secretary of the Treasury should continue to report all previously identified material weaknesses in the Department's annual report until they are fully corrected.

Status: Action in process. Although ADP weaknesses identified in FY 1983 were reported in FY 1985, the personal property weakness identified in FY 1983 was not reported in FY 1985, although it had not been corrected.

The Secretary of the Treasury should not report systems to be in conformance with the Comptroller General's requirements until they have been adequately evaluated in operation.

Status: Action in process. Estimated completion date: 03/87. In FY 1986,

Treasury will complete the last year of its 3-year cycle for evaluating accounting systems and is planning additional testing. GAO will not know until March 1987 whether Treasury has done a sufficient evaluation to reach its opinion on the status of its accounting systems.

The Secretary of the Treasury should expand system testing to include: (1) both valid and invalid transactions; (2) general controls over automated systems; and (3) concurrent reviews of internal controls.

Status: Action in process. Estimated completion date: 03/87. Treasury recommended to its bureaus that more thorough testing, including valid transaction testing, should be done on the bureaus' accounting system for FY 1986. GAO will not know whether these actions were taken until March 1987.

Executive Direction and Management

Improvements Needed in GSA's Second Year Implementation of the Financial Integrity Act

GGD-86-11, 10/11/85

Background

GAO reviewed the General Services Administration's (GSA) fiscal year (FY) 1984 progress in evaluating the adequacy of its internal controls and accounting systems under the Federal Managers' Financial Integrity Act.

Findings

GAO found that: (1) GSA has corrected 9 of the 62 deficiencies it identified in its internal control system, but because some of the deficiencies are complex, it will be years before GSA can rea-

sonably expect to correct them; (2) only 7 of 196 GSA managers' evaluations identified any of the reported control deficiencies; and (3) almost all of the evaluations indicated low or no vulnerability to internal control problems. GAO found that, in general, managers were not properly prepared to do the evaluation work necessary to identify control weaknesses because: (1) the complex evaluation process was implemented late in the fiscal year, leaving little time for training, doing the evaluations, and reviewing evaluation quality; and (2) the criteria to evaluate internal controls were found

by many managers to be too general to assess automated systems and identify internal control weaknesses. GAO believed that the GSA managers' perception that the evaluations accomplish little contributed to unreliable evaluations. Finally, GAO found that, although GSA identified instances of material accounting system nonconformance with the Comptroller General's requirements, the evaluations were of insufficient depth and scope to provide GSA with an adequate basis for determining the extent to which the systems did not conform to the requirements because: (1) the evaluations included

little testing of systems in operation; and (2) regional systems were not examined.

Open Recommendations to Agencies

The Administrator of General Services should direct the Associate Administrator for Policy and

Management Systems to work with the various GSA services and staff offices to provide managers feedback on the results of the evaluation process and the benefits obtained.

Status: Action taken not fully responsive. GSA officials believe that, given the decentralized evaluation proc-

ess adopted in FY 1985, no further action is warranted on this recommendation. Officials believe that, by decentralizing the process, they have reinforced the concept that the evaluations are for the managers' use in improving operations and, therefore, a formal program for providing feedback from outside sources is not needed.

Executive Direction and Management

Vehicle Fuel: Two Border Patrol Sectors Inadequately Control Fuel

GGD-86-36, 12/20/85

Background

GAO reviewed: (1) the Immigration and Naturalization Service's (INS) implementation of the Federal Managers' Financial Integrity Act of 1982; and (2) control weaknesses found in gasoline usage for government-owned vehicles supporting border patrol functions.

Findings

GAO found that, although two of the border patrol facilities have their own gasoline pumps, neither facility was following the procedures established to control bulk fuel operations. Regulations require that each location that stores bulk fuel: (1) account for fuel received and issued; (2) list the amount of fuel dispensed to each vehicle and the vehicle number; and (3) reconcile the bulk receipts and pump meter readings monthly. One sector made daily dipstick readings of the fuel in its storage tanks; however, it did not use these readings as an inventory control. The other center did not

maintain the forms necessary for reconciliation. Although these INS internal control weaknesses have been identified in previous reviews, they persist. GAO believes that, even if the established procedures were followed, they would not ensure that all the fuel was properly used and accounted for unless the fuel were reconciled daily.

Open Recommendations to Agencies

The Commissioner, INS, should require the Western Regional Commissioner to direct the San Diego and El Centro border patrol sectors to comply with established procedures for recording and reconciling fuel received and dispensed, including the use of storage tank dipstick readings to properly account for all fuel used.

Status: Action not yet initiated. INS has promised information on this recom-

mendation, but nothing has been provided despite repeated follow-up efforts.

The Commissioner, INS, should determine whether similar internal control weaknesses exist at other border patrol facilities, so that corrective action can be taken, if warranted.

Status: Action not yet initiated. INS has promised information on this recommendation, but nothing has been provided despite repeated follow-up efforts.

The Commissioner, INS, should determine whether established procedures should be revised to require daily, instead of monthly, reconciliation of fuel received and dispensed at sectors with their own fuel pumps.

Status: Action not yet initiated. INS has promised information on this recommendation, but nothing has been provided despite repeated follow-up efforts.

Executive Direction and Management

Improved Management Processes Would Enhance Justice's Operations

GGD-86-12, 03/14/86

Background

GAO reviewed the Department of Justice's management structure and management support systems to assess how departmentwide management support functions assist the Attorney General in directing and overseeing Justice's operations

Findings

GAO found that Justice needs: (1) an institutional process for developing long-range departmental goals to guide its program planning and budgeting decisions; (2) an established means for overseeing program planning to ensure that the Attorney General's priorities are adequately addressed; (3) to clarify responsibilities for overseeing debt collection activities; and (4) a departmentwide program to ensure that automatic data processing (ADP) and telecommunications techniques are planned, acquired, and used effectively and economically. GAO also found that: (1) a stronger information resources management (IRM) system could have helped Justice's development of a litigative case management system to provide basic program data; (2) the financial management systems do not properly account for and control resources or permit adequate monitoring of program performance; and (3) Justice could use different processes for assessing the efficiency and effectiveness of its operations, specifically, audit and evaluation, position management reviews, and productivity management.

Open Recommendations to Agencies

The Attorney General should create a policy-level capability for: (1) coordinating the development of strategic long-range goals to provide direction to Justice; (2) overseeing component program planning and budgeting to ensure compliance with the goals; and (3) monitoring program implementation to ensure that policy goals are achieved within the parameters of approved program and financial plans.

Status: Action in process. Justice created the Department Resources Board (DRB) to serve as the Attorney General's strategic management team. Staff support is provided by the Justice Management Division (JMD). The DRB mandate encompasses this recommendation. GAO is currently looking at whether the management team and program actually fulfill their objectives.

The Attorney General should improve the budget formulation process by providing more timely and detailed Attorney General Policy Program guidance to components and assigning Justice's budget staff the explicit responsibility of ensuring that the components' budgets are integrated and mutually supporting.

Status: Action in process. Justice provided formal guidance to the components. Component heads participated with the Attorney General in developing strategic program priorities which were communicated in the budget guidance. The Comptroller, JMD, led an integrated assessment of component budgets. GAO is currently looking at whether the management team and program actually fulfill their objectives.

The Attorney General should develop a plan for managing Justice's information resources. To ensure successful plan development and implementation, the senior official responsible for IRM should be experienced in the planning and program coordination of IRM and clearly possess the authority to direct component actions on ADP and telecommunications activities in order to ensure that component plans, budgets, and activities conform with goals established by DRB and the departmental plan.

Status: Action in process. Justice is taking many steps which are responsive to the recommendations. The most notable is development of a departmentwide ADP plan.

The Attorney General should provide priority and sustained attention to implementing the departmental financial management plan and developing a departmentwide integrated financial management system that will provide the cost information needed to: (1) control funds expended on programs; and (2) support Justice's policy and program monitoring planning system.

Status: Action in process. Departmental implementation of the plan was hampered by budget cuts.

The Attorney General should emphasize the use of program effectiveness reviews to provide policy officials with independent assessments of the effectiveness and efficiency of program implementation on which to base decisions to continue or alter policy decisions.

Status: Action in process. A departmentwide evaluation managers' forum was created to improve coordination among various evaluation units.

The Attorney General should ensure the effective implementation of the Management and Productivity Improvement Program. This effort will require that: (1) the components develop specific productivity performance component goals, as well as the measures needed to assess performance; (2) the program becomes an integral part of the overall Justice planning and budgeting process; and (3) Justice's focal point for the program effectively oversees the components' productivity improvement, disseminates information on good practices and efforts, and ensures that effective accountability mechanisms and incentives are in place for identifying productivity opportunities.

Status: Action in process. The Office of Policy and Planning was created to lead departmentwide productivity efforts. A comprehensive productivity and management plan was developed.

The Attorney General should ensure greater utilization of position management reviews by the components so that opportunities to achieve staffing efficiencies are identified.

Status: Action in process. A departmentwide position management program was established by an Attorney General Memorandum on April 21, 1986. GAO is currently evaluating whether the program fulfills its objectives.

The Attorney General should use the senior executive performance planning and appraisal process to fix accountability for accomplishing organizational goals.

Status: Action in process. JMD is evaluating senior executive plans; however, the evaluation is not yet complete.

The Attorney General should establish milestones for completing specific tasks needed for implementing the financial management plan and ensure that the milestones are strictly adhered to.

Status: Action in process. Action was hampered by limited budget resources.

The Attorney General should ensure that a primary objective of each system enhancement effort conforms to the system, when implemented, and with the Comptroller General's accounting principles, standards, and related requirements.

Status: Action in process. GAO reviewed Justice's plan favorably. Actual plan implementation is being affected negatively by limited budget resources.

The Attorney General should ensure that an effective system is developed to assist the Immigration and Naturalization Service's (INS) Office of the General Counsel (OGC) in its debt collection efforts.

Status: Action not yet initiated. INS plans to develop an OGC debt collection system, subject to the availability of funds.

The Attorney General should ensure that appropriate internal controls and procedures are implemented so that the Working Capital Fund recovers all costs incurred and thereby precludes the need to write off future accounts receivable.

Status: Action in process. Reimbursable agreements now include the information necessary to execute billings, and reimbursable agreements are mandatory with all customer organizations.

The Attorney General should ensure that the Land and Natural Resources Division establishes a means to ensure

that all future billings against the Superfund are based on actual costs incurred.

Status: Action in process. Procedures have been revised to ensure that costs are charged in accordance with government accounting standards. Two other projects are underway to further improve the accuracy of Superfund billings.

The Attorney General should ensure that affirmative litigation collections are recorded in Justice's general ledger.

Status: Action in process. A consolidated reporting system is being developed for legal process debts. The reporting requirements will support future general ledger processing.

The Attorney General should ensure that an effective departmentwide system is developed to account for total seizures and forfeitures.

Status: Action in process. A committee was established to develop departmentwide information and accounting requirements. A departmental order on seized and forfeited assets has been drafted and an intensive review of seized cash practices of the Drug Enforcement Agency and the Federal Bureau of Investigation is underway.

The Attorney General should rescind the exclusion of proposed Federal Bureau of Investigation contracts from departmental review.

Status: Action in process. An internal procurement management review of all procurement offices within Justice is underway with the objective of obtaining an indepth understanding of Justice's current procurement process and gathering sufficient data necessary to support the need for procurement reforms departmentwide.

The Attorney General should clearly establish the responsibility for operating the processes and systems necessary to support the implementation of an

integrated management system.

Status: Action not yet initiated. GAO options for enhancing central management capabilities have generated sub-

stantial internal comment. A thorough review of the options has not been completed, because Justice is still in the early phase of operation with DRB.

Executive Direction and Management

Opportunities To Improve Federal Discretionary Award Practices

HRD-86-108, 09/15/86

Background

In response to a congressional request, GAO reviewed federal management of discretionary assistance programs, specifically the policies and practices agency officials use to decide which eligible applicants receive awards and how much they receive.

Findings

GAO found that: (1) most federal discretionary grant programs have competitive processes to solicit and review applications; (2) nearly two-thirds attempt to solicit applications from all eligible applicants; and (3) over three-fourths use persons from outside the program office to provide an independent perspective in the review of applications. GAO believes that the discretionary grant process could be strengthened in many programs to enhance competition and promote accountability for award decisions through: (1) more rigorous review of unsolicited applications; (2) internal review of decisions restricting the scope of applicant solicitation; (3) the use of independent reviews; and (4) managerial accountability for deviation from reviewers' recommendations in the award decision process.

Open Recommendations to Agencies

The Director, Office of Management and Budget (OMB), through the President's Council on Management Improvement (PCMI), should work with federal agencies to require written justification reviewable by high-level agency officials for grant award practices that restrict widespread solicitation of all eligible applicants and that do not use at least some independent officials outside the program office to review applications.

Status: Action not yet initiated. The report was released by the requester to OMB in early October 1986. OMB has not had time to convene with PCMI to discuss the report.

The Director, OMB, through PCMI, should work with federal agencies to require program managers to provide written justification for award decisions that deviate from reviewers' recommendations.

Status: Action not yet initiated. The report was released by the requester to

OMB in early October 1986. OMB has not had time to convene with PCMI to discuss the report.

The Director, OMB, through PCMI, should work with federal agencies to require approval, at a level higher than the program managers, for funding unsolicited applications.

Status: Action not yet initiated. The report was released by the requester to OMB in early October 1986. OMB has not had time to convene with PCMI to discuss the report.

The Director, OMB, through PCMI, should recognize the discretionary grant award process as a potentially vulnerable area for review under the Federal Managers' Financial Integrity Act.

Status: Action not yet initiated. The report was released by the requester to OMB in early October 1986. OMB has not had time to convene with PCMI to discuss the report.

General Property and Records Management

Coast Guard Personnel Records Storage Areas Need Fire Protection Systems

GGD-81-72, 04/22/81

Background

The U.S. Coast Guard maintains over 6,000 officer and over 30,000 enlisted personnel records in two rooms at the Transpoint Building in Washington, D.C. GAO reviewed the official personnel records of the Coast Guard to determine how efficiently the records were being maintained.

Findings

GAO believes that the Coast Guard should acquire fire protection systems to protect its records. Although

the government leases the Transpoint Building, government-occupied space is subject to the building fire safety standards established by the Public Buildings Service (PBS). According to PBS criteria, only one of the two rooms used to store the records requires an automatic sprinkler protection system. However, GAO believes that the importance of the records and the expense of replacing them warrants installation of the system in both rooms. The Coast Guard stated that it intends to install a fire protection system during the upcoming renovation of the building.

Open Recommendations to Agencies

The Coast Guard should take action now to protect the records because the renovation has already been delayed once and could be delayed further.

Status: Action taken not fully responsive. The Coast Guard agreed that fire protection measures are needed, but the work is still being included in a bigger renovation project. It has no estimate of when the work will be done.

General Property and Records Management

Privacy Act: Federal Agencies' Implementation Can Be Improved

GGD-86-107, 08/22/86

Background

In response to a congressional request, GAO examined federal agencies' implementation of the Privacy Act of 1974, which protects personal privacy. GAO specifically examined: (1) the roles of agency Privacy Act officers; and (2) agencies adherence to the act's provisions and Office of Management and Budget (OMB) guidelines.

Findings

GAO found that: (1) approaches to implementing the act's regulations varied widely among the agencies; (2) agencies often failed to establish clear lines of responsibility and

accountability for the act's functions; (3) agency Privacy Act officers had limited responsibilities, training, and resources to ensure compliance with the act; and (4) agencies need to improve adherence to OMB guidelines relating to activities such as computer matching programs, risk assessments, evaluations, and training.

Open Recommendations to Agencies

The Director, OMB, should actively oversee agencies' implementation of the Privacy Act by following up periodically to ensure agencies' adherence to

OMB Circular A-130 and other OMB guidance.

Status: Action not yet initiated. OMB has not responded to 31 U.S.C. 720.

The Director, OMB, should direct agencies to: (1) review and update, or prepare, directives that clearly delegate responsibilities and establish accountability for all Privacy Act functions; (2) specifically assign to the Privacy Act officers coordinating responsibilities for all Privacy Act activities and ensure that the officers have the resources to fulfill these responsibilities; (3) systematically assess and provide for Privacy Act training to ensure that personnel are

aware of the act's requirements and OMB guidance pertaining to such functions as conducting detailed risk assessments, automating systems of records, and conducting computer matching programs; and (4) assign responsibility for evaluating Privacy Act operations and monitoring implementation of any recommended improvements.

Status: Action in process. OMB has not responded to 31 U.S.C. 720, but is working on changes in its guidance.

The Director, OMB, should review and clarify its: (1) OMB Circular A-130

guidance on automating records systems by providing more specific criteria on when agencies are to prepare a new system report and notice, to ensure greater consistency within and among agencies in recognizing the need to provide advance public notice and reports to OMB and Congress; (2) computer matching guidelines by stating that agencies are to annually report to OMB all participation in matching programs initiated in prior years but conducted on a recurring basis, to contribute to more complete data in the OMB annual report to Congress; (3) computer matching guidelines by pro-

viding for public notice of computer matching programs conducted by organizations not covered by the act when Privacy Act systems of records are disclosed by federal agencies; and (4) computer matching guidelines by instructing agencies to notify OMB when they believe they are exempt from OMB guidelines.

Status: Action in process. OMB has not responded to 31 U.S.C. 720, but is working on changes in its guidance.

Legislative Functions

No Strong Indication That Restrictions on Executive Branch Lobbying Should Be Expanded

GGD-84-46, 03/20/84

Background

Pursuant to a congressional request, GAO surveyed executive branch agencies and congressional staffs to determine: (1) what types of agency lobbying activities are considered permissible by congressional staffs and agency legislative liaison personnel, and what types are impermissible; and (2) whether more extensive controls over agency lobbying activities are warranted.

Findings

GAO found that laws which restrict the use of appropriated funds for lobbying purposes are ambiguous. The applicable criminal statute historically has not been interpreted as preventing federal officials from directly attempting to influence legislative actions. GAO found that most of those surveyed believed that applicable statutes and written agency guidelines are unclear and unenforceable, except in extreme

cases. In addition, GAO found diverging opinions on the ethics of various hypothetical agency lobbying practices. Many congressional staff personnel believed that more direct dialogue between the legislative and executive branches should be encouraged as a counterweight to pressure from private sector lobbies. GAO found little support for stricter controls on executive agency lobbying activities. Many of those interviewed cited other, equally effective deterrents to unethical lobbying activities, such as the threats of media exposure, political backlash, and potential embarrassment. Very few of those interviewed believed that executive branch lobbying constitutes a serious threat to the integrity of the legislative process.

Open Recommendations to Congress

While GAO is not recommending new statutory restraints on executive branch

lobbying, Congress should enact one of the currently temporary appropriation restrictions on indirect lobbying into permanent law as section 1352, title 31, United States Code. GAO proposes the following provision: "Except as otherwise provided by law, an appropriation may not be used other than for activities that involve direct communications between executive and legislative branch officials: (1) for publicity and propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before the Congress; and (2) to pay the salary or expenses of any grant or contract recipient or agent acting for such recipient to engage in any activity designed to influence legislation or appropriations pending before the Congress."

Status: Action not yet initiated.

Other General Government

A \$4 Billion Census in 1990? Timely Decisions on Alternatives to 1980 Procedures Can Save Millions

GGD-82-13, 02/22/82

Background

To aid Congress and the Census Bureau in planning for the next census, GAO reviewed portions of the 1980 census program concerning mailing list development, follow-up on nonrespondent, and activities to reduce the number of persons missed.

Findings

Census results are extremely important to the nation because they determine the apportionment of representation and affect the distribution of billions of federal dollars annually. By changing current census procedures, millions could be saved in conducting the 1990 census. Attempting to get a complete count is a costly and complex process. GAO believes that the value of individual procedures in reducing the undercount should be reviewed and efforts made to control their costs while maintaining reasonable accuracy. Compiling a national mailing list prior to census day is critical to ensure as complete a count as possible. However, the cost of compiling mailing lists can be reduced by obtaining addresses directly from the U.S. Postal Service (USPS). Increasing the time between mailout and start of follow-up operations could alleviate wasteful follow-up practices. Programs aimed at reducing the undercount, namely the vacancy check program and the records check program, were the least cost-effective operations conducted during a census.

Open Recommendations to Agencies

The Secretary of Commerce should test the feasibility of using mail reminder cards and follow-up mailings. If one or both of the techniques prove to be adequate to meet Commerce's needs, they should be used as alternatives to reduce the need for personal visit interviews for the 1990 census.

Status: Action in process. Estimated completion date: 09/88. The Census Bureau tested the use of reminder cards in its 1985 and 1986 pretests. It decided to use reminder cards in mail census areas.

The Secretary of Commerce should extend the time between census day and the start of follow-up operations to allow field staffs enough time to sort out duplicate and inappropriately mailed questionnaires and to allow them time to check in late mail returns.

Status: Action in process. Estimated completion date: 01/88. In its 1986 pretest, the Census Bureau experimented with extending the time between census day and the start of follow-up operations. Definitive results are not yet available.

The Secretary of Commerce should evaluate the feasibility of increased use of imputation, where legally permissible, as a method for developing census information on difficult-to-enumerate households.

Status: Action in process. Estimated completion date: 06/88. An important case in Indiana, in which the Census

Bureau's 1980 statistical methods were challenged, was decided in favor of the Bureau. The Bureau is considering some imputation procedures, but it has not been a priority in its planning for the 1990 census.

The Secretary of Commerce should evaluate the cost and effectiveness of 1980 census coverage improvement programs to determine if they should be used in the 1990 census. When practical, the evaluation should: (1) identify the cost and result of each 1980 coverage improvement program for various geographical areas and target groups; (2) test the sensitivity of program costs and results to changes in the assumptions upon which the programs are based, such as increasing and decreasing the levels of program activity on target groups and in geographic areas; and (3) express 1990 estimates of cost and results for coverage improvement programs in ranges of values by target groups and geographic areas rather than just a single national value.

Status: Action in process. Estimated completion date: 06/88. Evaluations of coverage improvements are ongoing.

The Secretary of Commerce should evaluate coverage improvement programs used in future censuses by compiling aggregate cost and results data on the operations. The data to be gathered should track the results of coverage improvement programs at the state and sub-state levels, also by target groups.

Status: Action in process. Action cannot be initiated until after the next census is taken in 1990.

Other General Government

Bank Merger Process Should Be Modernized and Simplified

GGD-82-53, 08/16/82

Background

Because of recent increases in the number of bank mergers and the potential for further increases, GAO reviewed the federal laws and regulatory supervision for approving bank mergers.

Findings

Broadly speaking, in acting on merger applications, federal and state agencies consider the following factors: (1) the financial condition of the applicant banks; (2) the character and experience of the management of the surviving bank; (3) whether the convenience and needs of the community will be served; and (4) the effects of the merger on competition. Although federal bank regulators' assessments of the competitive effects of proposed mergers receive the most consideration and involve the most controversy, the agencies' evaluations are not uniform, and specific criteria have not been developed for making the evaluations. The ways by which the regulators defined the relevant market to be used in evaluating competitive effects of proposed mergers differed and lacked uniform criteria in applying the line of commerce and potential competition concepts. This has resulted in conflicting decisions by federal regulators and encourages agency shopping whereby parties to a merger seek out the federal bank regulator possessing the most lenient standards for assessing mergers. GAO also found that, despite its frequent use, the phantom bank merger process is expensive, time consuming, and burdensome to banks, bank holding companies (BHC), and federal regulators. This complicated process is used because banking laws do not provide for shell corporations

which serve similar purposes for non-bank corporations. Finally, GAO concluded that changes are needed in both agency practices and merger law to reduce the processing time for merger applications.

Open Recommendations to Congress

Congress should amend the Bank Merger Act to provide that the banking agencies, to the extent practicable and within available data limitations, consider competing nonbank financial institutions in evaluating the competitive effects of a bank merger.

Status: Action not yet initiated.

Congress should amend the Bank Holding Company Act to permit BHC to acquire, by an exchange of stock, total control of an operating national bank subject to approval of the Federal Reserve and upon the affirmative vote of the shareholders owning at least two-thirds of that bank's outstanding capital voting stock. The amendment should provide that: (1) the appropriate BHC application be accompanied by a plan of acquisition; (2) the shareholders of the target bank voting against the acquisition could receive stock in the holding company; (3) the exchange of stock qualify as a tax-free exchange; (4) the acquired bank continue as a Federal Deposit Insurance Act insured bank; (5) the plan of acquisition be in compliance with all applicable federal securities laws; and (6) for similar acquisitions of state-chartered banks, the BHC application be accompanied

by a plan of acquisition rather than a merger application.

Status: Action in process.

Congress should amend the Bank Merger Act to exempt phantom mergers and corporate reorganizations from competitive effects assessments. This would remove the requirement that the responsible agency obtain reports on a proposed merger's competitive aspects from the Attorney General and the other two bank regulatory agencies. These types of mergers should also be exempted from the 30-day period for Attorney General review prior to consummation.

Status: Action not yet initiated.

Congress should delete the publication and comment requirement for phantom mergers and corporate reorganizations and reduce the publication period for regular mergers to a period more consistent with that of other types of corporate change applications.

Status: Action not yet initiated.

Open Recommendations to Agencies

The three federal bank regulatory agencies should, with the advice of the Department of Justice, work together to formulate a useful and consistent method of analysis for considering what effect a proposed merger would have on future competition in the market area of the bank being acquired.

Status: Action in process. The merger question is related to larger legislative

issues on industry competition now being debated.

Target: Federal Reserve System

Status: Action in process. The competitive question may change during the current debate on the structure of the financial industry.

Target: Department of Justice

The three federal bank regulatory agencies should jointly establish a more con-

sistent method of analysis for defining the relevant market when evaluating the competitive aspects of a proposed merger.

Status: Action not yet initiated. Although the Federal Reserve System agreed with this recommendation, no action has been initiated, and it is unknown when any action will commence.

Target: Federal Reserve System

The federal regulators should take steps to ensure that competitive factor reports are furnished to the requesting agency within the required 30 days and that the requesting agency properly considers the comments received and reconciles major conflicting conclusions.

Status: Action in process. The Federal Reserve is formulating its position.

Target: Federal Reserve System

Other General Government Federal and State Initiatives Needed To Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs

AFMD-84-18, 02/02/84

Background

Administrative costs in the Aid to Families with Dependent Children (AFDC) and Food Stamp programs have increased at a more rapid pace than benefit payments to recipients. GAO reviewed the processing of AFDC and Food Stamp applications at 15 welfare offices in 8 states. This review was based on a comparison of the productivity of these offices. GAO also examined the impact that inconsistent federal criteria for determining an applicant's income and assets and different federal time periods for processing AFDC and Food Stamp cases have on productivity.

Findings

From its review, GAO found that productivity rates of workers directly involved in processing AFDC and Food Stamp applications varied widely among the 15 welfare offices. This variance resulted primarily from processing practices, which included case-processing methods, use of computers, management expectation of employee

performance, and efforts to verify applicants' data. Although the Department of Health and Human Services (HHS) considered demographic factors to be a key cause of productivity variances in the AFDC program, GAO determined that they did not have a significant impact on the 15 offices. In addition, GAO found that: (1) federal requirements for determining an applicant's income and assets hinder state and local case-processing productivity; and (2) federal agencies need to emphasize productivity in much the same way as they have emphasized reducing payment errors.

Open Recommendations to Agencies

The Secretaries of Agriculture and Health and Human Services should establish a nationwide productivity measurement and reporting system for AFDC and Food Stamp programs.

Status: Action in process. The Department of Agriculture (USDA) does

not view this as a feasible solution. The Food and Nutrition Service (FNS) assigned a staff member to a joint HHS/USDA task force, which is reviewing the potential for establishing productivity measurement. HHS established a joint task force to study ways of reducing administrative costs of AFDC and Food Stamp programs.

Target: Department of Agriculture

Status: Action in process. USDA does not view this as a feasible solution. FNS assigned a staff member to a joint HHS/USDA task force, which is reviewing the potential for establishing productivity measurement. HHS established a task force to study options available in reducing administrative costs. The study includes AFDC, Food Stamp, and Medicaid programs. The study is not complete.

Target: Department of Health and Human Services

Other General Government

Federal Financial Institutions Examination Council Has Made Limited Progress Toward Accomplishing Its Mission

GGD-84-4, 02/03/84

Background

GAO assessed the progress of the Federal Financial Institutions Examination Council in accomplishing its congressional mandates. The Council was established to: (1) prescribe uniform federal examination principles, standards, and report forms for examinations of financial institutions; (2) recommend uniformity in other supervisory matters; (3) develop uniform financial institution reporting systems; and (4) develop a comprehensive examiner education program. The Council is composed of the Comptroller of the Currency, the Chairman of the Board of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the Board of the National Credit Union Administration.

Findings

GAO found that the Council has made little progress in establishing examination uniformity. A study to identify major examination differences among the participating agencies was terminated without accomplishing its objectives. GAO believes that actions taken by the Council did not eliminate major differences that the study did identify and that many actions taken were unrelated to the affected agencies' basic safety and soundness examinations. GAO found that the most significant action taken toward uniformity in other supervisory matters was the establishment of a uniform policy for assessment of civil money penalties. The Council approved 13 actions in the area of financial institution reporting systems, including a uniform bank report of condition and income. The Council has not provided basic training for examination efforts because it has

not established uniform principles and standards for examinations. Training efforts have been directed towards the development of peripheral courses. GAO believes that the need for uniformity in federal examinations of financial institutions has not lessened since the Council's inception and discussed the need to reevaluate the current regulatory structure.

Open Recommendations to Congress

There are a number of proposals being considered to reorganize the federal structure for regulating financial institutions. In making its judgments on these proposals, Congress should consider that a coordinating mechanism such as the Council has not been effective in dealing with major policy differences in the examination process.

Status: Action not yet initiated.

Other General Government

Statutory Requirements for Examining International Banking Institutions Need Attention

GGD-84-39, 07/11/84

Background

GAO reviewed the Federal Reserve's supervision of Edge Act banking institutions and the Office of the Comptroller of the Currency's (OCC) supervision of federally licensed branches and agencies of foreign banks.

Findings

GAO found that the statutory requirements to examine annually Edge Act corporations and federally licensed branches and agencies of foreign banks are less flexible than the frequency standards set by the Federal Reserve and OCC for other institutions and limit the optimal use of scarce resources. In

addition, GAO found that the Federal Reserve does not comply with its legal requirement to bill Edge Act corporations for examination costs.

Open Recommendations to Congress

Congress should repeal the legal requirements to conduct annual exam-

inations of Edge Act corporations and federally licensed branches and agencies of foreign banks, thereby allowing the Federal Reserve and OCC to schedule these examinations on the basis of the soundness of the institution. Specifically, with regard to Edge Act corporations, Congress should further amend Section 25(a), paragraph 19, of the Federal Reserve Act, as amended (12 U.S.C. 625), to eliminate the annual examination requirement and require examinations at such times as may be deemed necessary by the Federal Reserve System. With regard to federally licensed branches and agencies of foreign banks, Congress should amend Section 4(b) of the International

Banking Act of 1978 (12 U.S.C. 3102) to eliminate the annual examination requirement and thereby allow OCC more flexibility in scheduling examinations.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Chairman of the Board of Governors of the Federal Reserve System should comply with the statutory requirements to bill Edge Act cor-

porations for examination costs, including the compensation of examiners, as provided in section 25(a) of the Federal Reserve Act.

Status: Action in process. The Federal Reserve disagreed with this recommendation and believes that the law provided it with the discretion to assess examination costs, but the Board is reviewing its current practice not to assess Edge corporations' examination costs. Federal Reserve officials have established a committee with the Reserve Banks to discuss fee-setting for Edge corporations.

Other General Government

Bank Secrecy Act: Financial Institution Regulators' Compliance Examinations

GGD-86-94, 08/01/86

Background

In response to a congressional request, GAO evaluated regulatory agencies' efforts to ensure that financial institutions comply with the Bank Secrecy Act.

Findings

GAO found that regulatory agencies placed a low priority on the act's requirement for examinations of financial institutions, which diminished their ability to ensure compliance with the act. GAO believes that these agencies could improve their ability to ensure compliance by: (1) better targeting of institutions to be examined; (2) improving model examination procedures for depository institutions; (3) consistently applying the model depository institution examination procedures; (4) improving Securities and Exchange Commission (SEC) examination procedures; and (5) preparing sufficient documentation to support examination performance. GAO

also found that the Internal Revenue Service (IRS), which had good examination procedures and documentation, had difficulty identifying institutions for its examinations.

Open Recommendations to Agencies

The Secretary of the Treasury should initiate a program to compile and analyze targeting information, including cash flow data on an exception basis from the Federal Reserve System (FRS), and share the results with the regulatory agencies.

Status: Action in process. Treasury circulated the suggested guidelines to other compliance agencies.

The Secretary of the Treasury should develop, with the regulatory agencies, an improved set of examination proce-

dures, including tailored examinations for broker-dealers and credit unions, verification that reports are being filed, and review of cash transactions at all currency-handling facilities examined.

Status: Action in process. The examination guidelines are in draft form.

The Chairman of the Board of Governors, FRS, the Chairman, Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the Chairman, Federal Home Loan Bank Board (FHLBB), the Chairman of the Board, National Credit Union Administration (NCUA), the Chairman, SEC, and the Commissioner of Internal Revenue should institute policies to comprehensively examine constituent institutions on a random basis.

Status: Action taken not fully responsive. The agencies adopted new examination procedures, and FRS mem-

bership is small enough to conduct more comprehensive examinations.

Target: Federal Reserve System

Status: Action in process. FDIC adopted new examination procedures and will consider the use of random sampling.

Target: Federal Deposit Insurance Corporation

Status: Action in process. The Office of the Comptroller of the Currency (OCC) agreed with this recommendation.

Target: Department of the Treasury: Office of the Comptroller of the Currency

Status: Action in process. FHLBB agreed with this recommendation.

Target: Federal Home Loan Bank Board

Status: Action in process. NCUA is rewriting its policies and procedures.

Target: National Credit Union Administration

The Chairman of the Board of Governors, FRS, the Chairman, FDIC, the Comptroller of the Currency, the Chairman, FHLBB, the Chairman of the Board, NCUA, the Chairman, SEC, and the Commissioner of Internal Revenue should direct field examiners to fully document the examinations performed, using GAO audit standards as a guide.

Status: Action in process. FDIC will direct examiners to prepare and retain better work papers.

Target: Federal Deposit Insurance Corporation

Status: Action in process. FHLBB will send instructions to examiners.

Target: Federal Home Loan Bank Board

Status: Action in process. NCUA is rewriting its examination procedures.

Target: National Credit Union Administration

Status: Action in process. IRS will strengthen training for examiners.

Target: Internal Revenue Service

Other General Government

SEC Enforcement Program: Information on Productivity Statements and Cases Closed Without Action

GGD-86-106BR, 08/26/86

Background

In response to a congressional request, GAO examined the Securities and Exchange Commission's (SEC) Enforcement Program to determine whether the securities market's continued growth and the decline of SEC staff have reduced assurance of market integrity.

Findings

GAO found that, to demonstrate its continued ability to manage growing securities markets with fewer staff, SEC maintained that it increased the productivity of its enforcement program; however, the numbers it used were not statistically valid since they did not conform to the Bureau of Labor

Statistics' (BLS) productivity measurement criteria of homogeneity, which require that an output measure consist of units that are relatively the same with respect to labor requirements. Because of variations in subjects, investigative techniques, and the amount of time and resources spent on each enforcement action, GAO believes that the productivity figures are limited in their ability to show that SEC maintained an effective enforcement activity level.

Open Recommendations to Agencies

If the Chairman, SEC, wants to use productivity measurement to determine

the sufficiency of the enforcement program resources, he should, in consultation with BLS, develop a measurement approach that would conform with the homogeneity criteria. In deciding if it should adopt a new measurement system, SEC should consider the cost in relation to the new system's ability to provide accurate data for use in analyzing and appraising the need for additional resources during the budget process.

Status: Recommendation valid/action not intended. SEC does not believe better productivity measurement is needed. A 31 U.S.C. 720 response is being prepared.

Other General Government

Improved Safety Program Needed at Los Angeles Bulk Mail Center

GGD-86-144BR, 09/10/86

Background

In response to a congressional request, GAO reviewed issues concerning working conditions at the U.S. Postal Service's (USPS) Los Angeles Bulk Mail Center (LABMC), including: (1) the division of responsibility between management and employees for ensuring safe working conditions; (2) the effectiveness of LABMC procedures for dealing with injuries; and (3) the standards for determining the LABMC safety record.

Findings

GAO found that LABMC: (1) has not fully implemented the national USPS program in the areas of operating safety committees and providing employees with appropriate safety training; (2) does not clearly inform injured employees of who will pay for medical treatment; (3) requires employees, when injured, to first review a packet of medical and return-to-work forms and

instructions before sending them to a medical facility; and (4) does not use data from all accidents and injuries to establish and monitor local safety goals.

Open Recommendations to Agencies

In order for its injured employees to be in a position to receive medical treatment more immediately and to relieve its supervisors from making certain medically related decisions, the Postmaster General should direct the General Manager, LABMC, to ensure that all injured employees: (1) are sent for medical treatment without first reviewing an injury packet; and (2) are provided transportation to the clinic.

Status: Action in process. Before accepting this precise recommendation, USPS wanted to review the situation

at LABMC directly to see if some less extreme guidelines can be developed. The team from USPS headquarters is scheduled to conduct the review in late 1986.

In order to develop a comprehensive local safety program, the Postmaster General should direct the General Manager, LABMC, to use data from all accidents and injuries to establish safety goals, to measure progress towards those goals, and to better evaluate the effectiveness of LABMC training efforts.

Status: Action in process. Analysis of data from all accidents will go into formulating accident prevention plans at LABMC. Also, USPS-wide program instructions are being revised to require the analysis of data from all accidents.

Other General Government

P.L. 94-142 Compliance and Management of Youth Services Administration

GGD-86-131, 09/12/86

Background

In response to a congressional request, GAO monitored the District of Columbia's (D.C.) efforts to comply with the Education for All Handicapped Children Act's requirements relating to juvenile delinquents, specifically aspects of the D.C. Youth Services

Administration's (YSA) payroll, contracting, and personnel functions.

Findings

GAO found that: (1) the D.C. Department of Human Services' (DHS) lack of management oversight and control of YSA resulted in considerable overtime expenditures, noncom-

pliance with contracting procedures, and inaccurate position descriptions; (2) 22 percent of the YSA personal services budget for fiscal years (FY) 1983 through 1985 was charged to overtime expenses, which were caused by noncompliance with internal controls, insufficient staffing, and poor scheduling; (3) DHS and YSA failed to adhere to key internal controls designed to

ensure proper contract review, monitoring, and payment; and (4) many YSA employees did not have position descriptions that accurately described their current duties and responsibilities, due to noncompliance with personnel regulations and procedures.

Open Recommendations to Congress

To help ensure that the necessary progress is made to provide special education to all handicapped delinquents, the House Committee on the District of Columbia should require the Mayor, Board of Education, D.C. Superior Court, and the Secretary of the U.S. Department of Education to report periodically, directly to the appropriate legislative and appropriations committees, on progress made toward implementing the D.C. corrective action plan and other actions taken to implement prior GAO recommendations.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, DHS, and the Commissioner on Social Services to develop and implement written procedures requiring adequate documentation, supervisory review of hours worked, efficient scheduling of staff, and enforcing adherence to internal controls to reduce the amount and abuse of overtime at YSA facilities.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, DHS, and the Commissioner on Social Services to develop and implement written procedures, and establish specific criteria, where necessary, for monitoring YSA contracts and for payment of YSA contractor invoices.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, DHS, and the Commissioner on Social Services to ensure that DHS, Social Service, and YSA managers follow D.C. and DHS contracting and payroll policies and procedures.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that the previously mentioned recommendations are implemented.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit is conducted next year of YSA payroll and contracting functions.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit of YSA FY 1984 and 1985 contracts is conducted for the purpose of identifying disallowable and unsupported costs.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, D.C. Office of Personnel, to immediately begin a classification survey of all YSA positions and implement a schedule to review each position at least once in each 3-year period.

Status: Action not yet initiated. A response from the D.C. Government is not due until December 12, 1986.

Tax Administration

Legislation Needed To Improve Administration of Tax Exemption Provisions for Electric Cooperatives

GGD-83-7, 01/05/83

Background

GAO reviewed the changes that have occurred in some tax-exempt electric cooperatives since they were first granted tax-exempt status and the difficulty that the Internal Revenue Service (IRS) has had in attempting to apply the broad tax exemption provisions of the Internal Revenue Code to cooperatives.

Findings

GAO found that, since electric cooperatives were granted tax-exempt status almost 60 years ago, the operations of many cooperatives and the environment in which they do business have changed substantially. Originally, most electric cooperatives were small associations which distributed electricity to

sparsely populated rural areas. Today, many electric cooperatives serve both rural and suburban areas, and their operations and activities closely resemble those of investor-owned utility companies. Some electric cooperatives have expanded their activities to form subsidiaries or associations which generate power, provide financing, own or lease coal mining properties, procure fuel and supplies, and provide ancillary business services. Consequently, many cooperatives have been able to accumulate and retain substantial amounts of member equity or capital. Because the law generally exempts all electric cooperatives regardless of the differences in their operations and activities, financial condition, size, or mix of consumers served, GAO has proposed alternatives to the present law, which would mod-

ify the cooperatives' nonmember income allowance or eliminate that allowance and apply tax rules, which are already applicable to other types of cooperatives. These alternatives would have an estimated revenue impact ranging from \$2 to \$45 million.

Open Recommendations to Congress

Congress should establish a tax treatment which better addresses electric cooperatives' present operating environment.

Status: Action not yet initiated.

Tax Administration

Legislative Change Needed To Enable IRS To Assess Taxes Voluntarily Reported by Taxpayers in Bankruptcy

GGD-83-47, 06/20/83

Background

Pursuant to a congressional request, GAO was asked to examine the effects of bankruptcy laws on tax administration. GAO reviewed the impact that the 1978 Bankruptcy Reform Act's restriction on tax assessments is having on the Internal Revenue Service (IRS) and bankrupt taxpayers.

Findings

GAO believes that the assessment restriction should be amended to allow

IRS to assess the taxes that bankrupt taxpayers report on their returns. Moreover, removing the assessment restriction would ensure consistent treatment for all bankrupt taxpayers. IRS needs to modify its collection procedure to ensure that it does not violate the legislative restriction on initiating collection action against bankrupt taxpayers. Some bankruptcy court districts permit IRS to assess taxes against bankrupt taxpayers, but IRS officials informed GAO that they cannot change the computerized collection procedures to stop collection notices from being

sent to bankrupt taxpayers once taxes are assessed, but not paid.

Open Recommendations to Congress

Congress should amend the Bankruptcy Code to allow IRS to assess the taxes reported by bankrupt taxpayers on their returns.

Status: Action in process.

Tax Administration

With Better Management Information, IRS Could Further Improve Its Efforts Against Abusive Tax Shelters

GGD-83-63, 08/25/83

Background

In response to a congressional request, GAO reviewed Internal Revenue Service (IRS) activities in the tax shelter area.

Findings

Lately, the size and complexity of the IRS work load in the tax shelter area have strained its resources. The number of those types of tax shelters which IRS has identified as abusive have risen from 2 to 18 in 9 years, while the IRS approach to examining shelter returns requires that virtually every shelter return identified as potentially abusive be examined. Examiner staff-days devoted to the Tax Shelter Program have risen from 2.5 percent of direct examination time during fiscal year (FY) 1979 to 8.9 percent during the first 6 months of FY 1983. Examining abusive shelters imposes a large administrative burden on examiners because an abusive shelter is often set up as a partnership and examining such a shelter often requires the control of several returns, for different tax years, and in different districts. GAO found that about 60 percent of examiner time is spent on administrative tasks with only 40 percent applied to examining returns and developing examination issues. At the present pace, tax shelter returns take more than 4 years to process. To

compound the problem, about 50 percent of completed tax shelter examinations are appealed, involving 90 percent of all potential revenue from these examinations. IRS has focused top management attention on this area and devised new approaches to reduce the number of cases in its inventory. In addition, Congress has provided legislative relief, most recently, in the Tax Equity and Fiscal Responsibility Act (TEFRA) which gives IRS several enforcement tools and simplifies the administrative aspects of partnership examinations.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary to more accurately gauge the current size of the problem of abusive tax shelters and the impact IRS is having on noncompliance in this regard.

Status: Action in process. The MIS data base is being modified to produce appropriate reports to evaluate tax shelter programs. Partial implementation of a new Partnership Central System began in January 1986. Full implementation of the system is expected in January 1987.

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary for determining whether TEFRA and administrative changes have eliminated the causes of past problems and for identifying, as early as possible, any other obstacles to effective and efficient program operations. If IRS finds that the must-work approach is still resulting in administrative difficulties, the Commissioner of Internal Revenue should: (1) reassess the goal of expeditiously examining every abusive shelter which is identified, in light of this goal's impact on the IRS examination plan; (2) formulate, if this goal is found to be no longer attainable, criteria for deciding which abusive tax shelters are most in need of examination; and (3) make more extensive use of centralized support staffs and computer, rather than manual, systems to further free examiners from clerical and administrative tasks.

Status: Action in process. Estimated completion date: 12/86. A project code and activity code have been implemented to identify prefilling notification cases and time spent on tax shelter cases. The Partnership Control System is monitoring TEFRA inventory, and TEFRA cases are now being identified.

Tax Administration

IRS' Administration of the Crude Oil Windfall Profit Tax Act of 1980

GGD-84-15, 06/18/84

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) administration of the Crude Oil Windfall Profit Tax Act of 1980.

Findings

GAO noted that the crude oil tax was designed to tax the difference between the free market price of a barrel of oil and its controlled price under Department of Energy regulations. Although IRS received no supplemental staffing or funding to administer this lengthy and complex act, IRS moved quickly to establish a compliance program. GAO found that IRS has made good progress toward establishing an examination program for the windfall profit tax. Difficulties encountered

by the Examination Division include: (1) deciding which properties should be subject to IRS examination; (2) ensuring that the tax is assessed on the initial sale of oil; and (3) examining tax refund claims to ensure that the tax is levied only on barrels of oil that yield a profit. GAO noted that the Collection Division's effectiveness depends on structuring a long-term compliance program to identify delinquent windfall profit taxpayers.

Open Recommendations to Congress

To effect the procedure to issue deficiency notices after examination of each oil-producing property without precluding later issuance of additional

notices covering the producers' interests in other properties during the same quarter, Congress should amend section 6212(c) of the Internal Revenue Code and consider the statutory language in appendix V.

Status: Action in process.

Because another windfall profit tax area which needs legislative action is the appeals process, Congress should pass legislation to consolidate judicial appeals for a given property's oil issues and consider the statutory language in appendix VI.

Status: Action in process.

Tax Administration

IRS and SSA Can Improve the Verification and Recording of Data Provided by Self-Employed Taxpayers

GGD-85-21, 05/28/85

Background

GAO reviewed processing of self-employment earnings information to determine whether the Internal Revenue Service (IRS) and the Social Security Administration (SSA) are properly processing such information and crediting it to taxpayers' accounts.

Findings

Workers are required to report self-employment earnings on a form known

as schedule SE. IRS processes the schedule, collects any social security taxes that are due, and reports the information to SSA, which credits earnings information to individuals' social security accounts. GAO found that, while the system is functioning well, IRS and SSA could: (1) increase the amount of self-employment earnings that get properly credited; and (2) more accurately account for due taxes. GAO also found that: (1) IRS does not always detect errors in computing self-employment earnings on SE schedules; (2) IRS does

not verify wage amounts reported by self-employed persons who report other earned income, which causes underpayments of social security taxes; (3) IRS could help SSA correctly credit earnings to individuals' social security accounts by ensuring that, whenever it corrects a social security number (SSN) on a tax return, the corrected number is provided to SSA; and (4) SSA and IRS need to establish better control over SE schedules to help ensure that all self-employed persons are receiving credit for self-employment earnings.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should identify and provide SSA, starting with the 1980 processing year, with self-employment records showing different social security numbers for the same person or self-employment earnings that were not previously provided.

Status: Action in process. IRS Returns Processing requested IRS Computer Services to determine the feasibility of extracting data from RTF for fiscal year 1979 through 1982 to provide to SSA. IRS intends to determine whether it would be feasible to

provide SSA with individual records having a different SSN listed on their SE schedules than on their 1040A.

The Commissioner of Social Security should use the self-employed persons' records with different social security numbers obtained from IRS to correct earnings accounts credited erroneously and those not previously credited.

Status: Action in process. SSA is awaiting final action by IRS before it can take any action of its own.

The Commissioner of Social Security should credit the social security accounts of those self-employed individuals whose records were never proc-

essed and ensure that the trust funds are provided the correct tax amount from their earnings.

Status: Action in process. SSA is awaiting final action by IRS before it can take any action of its own.

The Commissioner of Social Security should periodically conduct tests of the accuracy of self-employment earnings and identification data and work with IRS to resolve any problems that are identified.

Status: Action in process. SSA is awaiting final action by IRS before it can take any action of its own.

Tax Administration

IRS' Examination Selection System for Exempt Organizations' Unrelated Business Income

GGD-85-64, 07/08/85

Background

GAO analyzed the Internal Revenue Service's (IRS) examination selection system for tax-exempt organizations earning unrelated business income (UBI).

Findings

GAO found that, although IRS assessed over \$41 million in additional tax and penalties upon UBI examinations in fiscal years 1981 through 1983, a substantial number of UBI examinations resulted in little or no additional tax revenue. GAO also found that IRS does not have sufficient information on UBI tax noncompliance to understand the nature and magnitude of UBI noncompliance and develop profiles of highly noncompliant tax-exempt organizations engaging in UBI activity. Without such information, the current IRS selection system cannot focus on the most

noncompliant tax-exempt UBI organizations, which regularly fail to properly report UBI earnings or pay the UBI tax due. Because IRS data shows increasing UBI activity, high estimates of tax loss due to UBI nonreporting, and low yield from most current UBI examinations, IRS may want to focus on the UBI organizations with the highest potential for noncompliance. More targeting of highly noncompliant UBI organizations could aid in generating more revenue and increased compliance and result in more effective use of resources.

Open Recommendations to Agencies

The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt Organizations should further analyze existing data on UBI tax examinations to gain increased insight into

the nature and magnitude of UBI non-compliance.

Status: Action not yet initiated. IRS plans to consider a Taxpayer Compliance Measurement Program (TCMP) effort in 1988, which would address this issue. IRS plans no other action.

The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt Organizations should develop, collect, and analyze information on all types of UBI organizations and develop specific UBI activities.

Status: Action not yet initiated. IRS plans no further action other than considering a TCMP effort in 1988, which would address this issue. According to the agency contact, as of November 21, 1986, these plans have remained intact.

Tax Administration

A Change in Foreign-Owned U.S. Corporations' Reporting Requirements

GGD-86-19, 11/01/85

Background

In response to a congressional request, GAO studied Internal Revenue Service (IRS) tax compliance activities with respect to foreign-owned U.S. corporations.

Findings

GAO found that the present language of the section of the Internal

Revenue Code (IRC) that requires certain foreign-owned U.S. corporations to report transactions with related domestic or foreign corporations does not require the reporting of transactions with noncorporate entities such as trusts and partnerships, which GAO believes should be reported even if their number is relatively small.

Open Recommendations to Congress

Congress should amend section 6038A of IRC to help IRS enforce the tax laws by identifying transactions between foreign-owned U.S. corporations and their noncorporate foreign owners.

Status: Action in process.

Tax Administration

Protecting Tax Revenue When Businesses File for Bankruptcy

GGD-86-20, 02/21/86

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) procedures for protecting the government's interest when taxpayers go through bankruptcy proceedings, specifically: (1) detecting and minimizing the accumulation of employment tax delinquencies; and (2) filing claims for delinquent taxes with the bankruptcy court.

Findings

The Bankruptcy Code provides financially troubled businesses with two basic ways to deal with their financial obligations: (1) liquidation, where a business' assets are sold and the proceeds used to pay creditors; and (2) reorganization, where the business attempts to continue operating while it develops a plan to pay its debt. IRS, as

the principal federal creditor in most bankruptcies: (1) files claims for payment of taxes; (2) monitors the progress of reorganizing businesses; (3) keeps track of actual tax payments; and (4) reviews proposed tax payment plans. GAO reviewed three bankruptcy court districts and found that: (1) an estimated 254 of the 583 businesses that filed for reorganization in 1981 accumulated \$6.6 million in delinquent taxes after bankruptcy proceedings began; (2) \$5.5 million of these delinquencies were still outstanding in 1984; (3) court referrals took an average of 15 months to come to court after the first delinquent tax return was due; (4) the IRS bankruptcy manual has only limited guidance on referrals and contains inconsistent information; and (5) 77 percent of IRS claims for liquidation bankruptcies contained errors totalling \$1.7 million in overclaims, underclaims, and misclassified priorities because IRS

district personnel lacked guidance in computing interest and penalties for bankruptcies. GAO noted that, since its review, IRS has somewhat improved its procedures for dealing with delinquent taxes by providing additional guidance and improving its referral process.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should develop and include in the bankruptcy manual additional indicators for IRS personnel to use in deciding how often to monitor bankrupt businesses. One indicator that has been incorporated into the manual is the size of a business payroll and another could be a prior delinquency history.

Status: Action in process. Instructions are being prepared for the Internal Revenue Manual (IRM), which would require employees to consider past delinquency history in determining how to monitor a business.

The Commissioner of Internal Revenue should make greater use of the IRS authority to require businesses with employment tax liabilities to file monthly rather than quarterly returns.

Status: Action in process. IRM instructions are being prepared to provide that monthly filing of tax returns be considered for those insurers whose past history warrants such action.

The Commissioner of Internal Revenue should develop and include in the bankruptcy manual minimum criteria

for referral of cases to district counsel and the bankruptcy courts. The manual should also state that each referral include information on the business' operating status and the size of its employment tax liability.

Status: Action in process. IRM instructions are being written establishing such criteria.

The Commissioner of Internal Revenue should revise the bankruptcy manual to require that bankruptcy case files contain adequate documentation of claim computations and that supervisory or quality control reviews of these computations be made to ensure that claims are accurately prepared.

Status: Action in process. The bankruptcy manual is being revised to require that case files contain adequate documentation of claim computations to facilitate more thorough reviews.

The Commissioner of Internal Revenue should periodically test the effects of the revised bankruptcy court rules' notification requirements to: (1) determine the extent to which liquidating businesses are not listing IRS as a creditor on bankruptcy petitions; and (2) provide the basis for developing corrective action if needed.

Status: Action in process. Estimated completion date: 03/87. A study is being conducted to determine the effects of the revised bankruptcy rule.

Tax Administration

Contingency Plans and Risk Analyses Needed for IRS Computer Centers

IMTEC-86-10, 03/27/86

Background

GAO reviewed the Internal Revenue Service's (IRS): (1) plans for ensuring the continuity of its computer operations if any of its 12 computer centers were destroyed or significantly disabled for an extended period; and (2) efforts to implement a risk-management program to assess and reduce potential threats to computer operations.

Findings

GAO conducted its review at IRS headquarters, the IRS National Computer Center (NCC), and 4 of the 10 service centers that process tax returns and related documents. GAO found that the IRS draft automatic data processing (ADP) plans are incomplete and its emergency measures are inadequate because: (1) NCC has no designated backup processing site; (2) computer

capacity problems may make it impossible for one service center to back up another as currently proposed; (3) IRS has not identified the most critical work load functions; (4) backup tape files containing data and programs necessary to continue operations are not always maintained; and (5) testing to ensure the workability of ADP contingency plans has ranged from nonexistent to limited. GAO also found that: (1) IRS has not periodically assessed potential risks to computer operations at its centers, although it has recently started a risk-analysis program that it hopes to complete in 1987; (2) several IRS centers had physical security problems making them susceptible to fire and smoke damage or to unauthorized entry after working hours; and (3) contingency plans at one center lacked adequate detail for emergency procedures.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to develop, certify, and periodically test ADP contingency plans for all IRS computer centers according to the criteria and procedures set forth in the IRS Internal Revenue Manual and Office of Management and Budget (OMB) Circular A-130.

Status: Action in process. The IRS Automation Policy Board directed the Assistant Commissioner, Computer Services, to develop contingency plans,

name a project manager, and take steps to secure funding for the project.

The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to perform periodic risk analyses to: (1) aid in developing and maintaining effective ADP contingency plans; and (2) help assess the internal controls environment, as required by the

Federal Managers' Financial Integrity Act of 1982 (FIA) and the OMB circular.

Status: Action in process. Estimated completion date: 12/87. Risk analyses will be performed at all IRS computer centers by the end of 1987.

The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other

computer centers), to expedite efforts to continue to report the lack of contingency plans and periodic risk analyses as material control weaknesses under FIA until contingency plans have been developed, certified, and tested, and risk analyses, as well as needed corrective action identified by such analyses, have been completed for all computer centers.

Status: Action in process. IRS will continue to report lack of contingency plans and risk analyses as material control weaknesses under FIA.

Tax Administration

Tax Administration: Compliance and Other Issues Associated With Occupational Excise Taxes

GGD-86-49, 06/05/86

Background

GAO reviewed the effectiveness of the Bureau of Alcohol, Tobacco and Firearms (BATF) and the Internal Revenue Service (IRS) in imposing occupational excise taxes on businesses and individuals in the alcohol, wagering, and firearms industries.

Findings

GAO found that: (1) BATF initiated a special tax collection program to increase compliance and tax collections from retail alcohol establishments; (2) BATF drafted a bill that would restrict wholesalers' sales of alcohol to those retailers that have paid their occupational taxes; (3) IRS could use information from states that license wagering establishments to assess compliance by businesses with the occupational tax and to determine compliance with filing requirements; (4) an information reporting requirement exists that would identify individuals liable for the occupational tax; and (5) a reevaluation of the provision allowing tax-free weapon

transfers between occupational taxpayers may be needed.

Open Recommendations to Congress

An incentive exists for individuals to obtain National Firearms Act (NFA) dealer status to avoid the per weapon transfer tax. Whether the incentive is reduced or eliminated is a policy issue Congress may wish to address.

Status: Action not yet initiated.

Congress should consider any effect repeal of the taxes might have on BATF criminal enforcement efforts.

Status: Action not yet initiated.

If Congress chooses not to repeal the alcohol occupational taxes, it may wish to consider legislation to improve compliance.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director, BATF, should identify for follow-up potentially noncompliant retail alcohol establishments by arranging for IRS to match occupational tax payment data with businesses classified under selected principal industry activity (PIA) codes.

Status: Action in process. Estimated completion date: 12/86. BATF asked IRS to perform an automated comparison of a limited number of PIA codes against IRS data base special occupational taxpayers. This comparison is expected to be completed in November 1986. Results will then be analyzed and appropriate action taken.

The Commissioner of Internal Revenue should obtain gambling license data from the states where gambling activities subject to the wagering taxes are authorized, and match it with the yearly occupational tax payment records and the tax on gross-wagers payment

records to identify noncompliant taxpayers for follow-up potential.

Status: Recommendation valid/action not intended. IRS believes that this proposal would not have a significant enough impact to justify implementing. IRS believes resources should be spent in other areas of low compliance and, therefore, does not intend to implement this recommendation. However, GAO continues to believe that it has merit.

The Commissioner of Internal Revenue should compare tax on gross wagers payment records with the yearly occupational tax payment records for businesses in states which do not license establishments subject to the taxes to identify potential noncompliant taxpayers for follow-up.

Status: Recommendation valid/action not intended. IRS believes that this recommendation would have little, if any, benefit to the criminal investigation function or other areas of IRS. IRS contends that most of the wagering investigations result from its case development efforts and sophisticated and large-scale operations. Therefore, IRS does not intend to take any action on this recommendation. GAO still believes that it has merit.

The Commissioner of Internal Revenue should match the names of employees

and agents listed on the employers' occupational tax returns with occupational tax payment records to identify for follow-up potential noncompliant taxpayers and should enforce the requirement that employers list employees and agents on their occupational tax returns.

Status: Recommendation valid/action not intended. IRS does not plan to take action on this recommendation. It stated that the taxpayers who are investigated by IRS for wagering violations, overwhelmingly fail to file other returns. GAO continues to believe that IRS should address this noncompliance problem.

The Director, BATF, should inform former NFA dealers who currently possess NFA weapons that such possession may be in violation of the laws of their respective jurisdictions.

Status: Action in process. Estimated completion date: 12/86. BATF is planning to make a public announcement through an article in the FFL Newsletter, to be published in December 1986, and a concurrent news release about former NFA dealers who currently possess NFA weapons in violation of the law.

The Director, BATF, should develop a means for informing current NFA dealers and those that apply for NFA

dealer status that, should they discontinue their status as NFA dealers, the retention of NFA weapons as a private citizen may be a violation of the laws of their respective jurisdictions.

Status: Action in process. Estimated completion date: 05/87. BATF is taking action by revising Form 5320.7 and plans to send out its form to NFA special taxpayers in May 1987. This form letter is designed to inform current NFA dealers and applicants of potential law violations.

To reduce the costs of administering the tax on gross wagers, the Commissioner of Internal Revenue should revise the filing requirement for the tax on gross wagers so that monthly returns will not be required unless an established dollar threshold is met.

Status: Recommendation valid/action not intended. IRS does not intend to take any action on this recommendation because it believes that any resulting savings from its implementation would be negligible. It also contended that such a change would create taxpayer uncertainty, breaks established filing habits, and affect IRS ability to identify those trends, patterns, and nonfilers. GAO continues to believe its proposal has merit.

Tax Administration

Information Returns Should Increase Proper Reporting of Farm Income

GGD-86-69, 07/22/86

Background

Pursuant to a congressional request, GAO studied the need to improve taxpayer compliance in reporting taxable commodity credit loan and crop insurance income, specifically ways in which

the Internal Revenue Service (IRS) could better detect unreported income.

Findings

GAO found that, in 1982: (1) 7 percent of crop loan and insurance income

recipients failed to file federal income tax returns; (2) 77 percent of the taxpayers whose returns GAO reviewed failed to properly report their income; (3) computer matching of information returns with tax returns should help IRS to determine whether income was properly reported and the applicable

taxes were assessed; and (4) IRS should improve its forms, filing instructions, and computer programs.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should incorporate commodity credit

loan and crop insurance income into the IRS document matching program.

Status: Recommendation valid/action not intended. IRS disagreed that commodity credit loan and crop insurance income information returns should be incorporated into IRP because the law

allows taxpayers to report related farm income in either of two years; thus, this would prevent serious administration problems of IRS matching because IRP is a single-year matching program. GAO agreed and suggested alternatives which IRS ignored.

Tax Administration

Use of Tax-Exempt Bonds in Oakland, California

GGD-86-110BR, 07/24/86

Background

In response to a congressional request, GAO provided information on the use of tax-exempt bonds by Oakland, California, specifically: (1) transactions to sell and lease back city assets; and (2) allegations that Oakland planned to use bonds to give the Oakland Athletics baseball team a loan.

Findings

GAO found that: (1) between 1983 and 1986, Oakland sold 18 tax-exempt bond issues totalling \$589 million; (2) the issued bonds will cost the U.S. Treasury and the state of California \$91

million and \$19 million, respectively, in foregone income tax revenues; and (3) the tax law concerning the loan transaction Oakland is considering is unclear. GAO concluded that Congress may want to clarify its intent on the use of tax-exempt financing to support private-purpose loans.

Open Recommendations to Congress

Since it is unclear whether current tax law provisions apply to Oakland's proposed loan to the Oakland Athletics,

Congress may want to clarify its intent. Should a clarification be warranted, two possible alternatives would be to: (1) change the language of current tax law provisions to clarify the restrictions on uses of tax-exempt financing; and (2) direct IRS to determine the extent to which tax-exempt bonds are being used for private purposes, and, if warranted, to determine what is needed to correct the situation.

Status: Action taken not fully responsive.

Tax Administration

Options for Speeding Tax Refunds and Reducing IRS' Interest Costs

GGD-86-72, 07/28/86

Background

GAO examined the requirements under which the Internal Revenue Service (IRS) pays taxpayers interest on tax refunds to determine whether changes

to the requirements for paying interest on various types of refunds or to IRS operating procedures could speed up the payment of tax refunds and reduce the government's interest costs.

Findings

GAO found that: (1) IRS paid \$1.5 million in interest while processing the amended return refunds that it issued within 45 days; (2) IRS took almost

twice as long to process refunds on amended returns that it subjected to a detailed examination as it did to process returns that it subjected to normal processing procedures; (3) only 12 percent of the detailed examinations resulted in additional tax assessments; and (4) the increased interest costs associated with delaying these refunds amounted to \$37.6 million. GAO estimated that IRS paid at least \$3 million in interest costs during 1983 on non-

income-based returns that it processed within 45 days of receipt.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should amend IRS procedures to provide for issuing certain refunds before making a detailed examination of the refund claim. The criteria for making these refunds should recognize the need for IRS to continue to hold certain

refunds having a high potential for disallowance.

Status: Action in process. Estimated completion date: 01/87. IRS stated that it would study existing criteria for issuing immediate refunds in an attempt to isolate additional categories of refunds that can be issued prior to examination. Action is expected to be completed by January 1, 1987.

Tax Administration

Administrative Changes Could Lead to Earlier Resolution of Tax Disputes

GGD-86-75, 07/30/86

Background

GAO examined the U.S. Tax Court's caseload to determine whether the number of cases filed with the court could be reduced by settling more cases through the Internal Revenue Service's (IRS) appeals process with less cost to the taxpayers and the government.

Findings

GAO found that: (1) many taxpayers who initially bypassed the IRS internal appeals process and filed with the court eventually settled their cases out of court with the appeals division; (2) cases ultimately settled by the IRS cost the government approximately \$1.2 million in court processing costs and taxpayers \$268,200 in filing fees; (3) some of the processing and filing costs

could have been eliminated had the cases been filed with IRS; and (4) more than one-third of the taxpayers did not fully understand the dispute resolution process before filing with the tax court. GAO believes IRS could do more to involve the appeals division in resolving cases by better informing taxpayers about the process and encouraging them to go to the appeals division before filing with the court.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should revise the language of the 30-day letter, various IRS publications, and the information on the appeal procedures given to taxpayers by IRS auditors and

revenue agents. These changes should: (1) emphasize the advantages of going to the appeals division before filing with the tax court; and (2) point out that, even if taxpayers bypass the appeals division, the cases will still be assigned to it for attempted settlement.

Status: Action in process. Estimated completion date: 12/86. IRS stated that it would review and revise various publications and documents relating to the appeals process to point out the benefits to taxpayers of going to appeal first. IRS expects to complete its review by January 1987. In the mean time, it revised Publication No. 556, including language which better explains the appeals system to the taxpayer in a more detailed manner.

Tax Administration
Tip Income Reporting Can Be Increased

GGD-86-119, 09/30/86

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) efforts to improve tip income reporting and the impact of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) tip income reporting requirements on both the food and beverage industry and tip income reporting.

Findings

GAO found that: (1) of the four IRS regions it visited, two were more active and successful in pursuing tip income nonreporting than the others; (2) tip income reporting has increased since the implementation of the new TEFRA reporting requirements; (3) food and beverage employers indicated that implementation of these new reporting requirements was not as costly as they originally projected; and (4) IRS districts used varying procedures in administering the TEFRA provision which allows employers a rate reduction from the reporting of 8 percent of gross receipts, which could result in inequitable treatment of taxpayers.

Open Recommendations to Agencies

To enhance IRS efforts to improve compliance with the requirements for reporting tip income, the Commissioner of Internal Revenue should formulate and implement an overall strategy for identifying and reducing tip income nonreporting. In formulating this strategy, the Commissioner should, in conjunction with providing TEFRA tip income information to the regional and district offices: (1) identify and evaluate for IRS-wide applicability those detection techniques and tools which have been proven effective in conducting tip income reporting projects and communicate this information to all IRS regions and districts; and (2) design and implement an overview and evaluation process to monitor the progress of tip enforcement activities, identify potential problem areas, and devise the actions needed to deal with them.

Status: Action in process. Estimated completion date: 01/88. IRS is currently

conducting a study designed to provide information on compliance levels and the nature of noncompliance and identify the types of establishments and geographical areas that are most non-compliant. Results of the study will be analyzed and corrective actions will be taken when the study is complete in January 1988.

To reduce the inconsistencies in the rate reduction process, the Commissioner of Internal Revenue should: (1) establish uniform criteria and standard procedures for reviewing employers' requests for a reduction from the reporting of 8 percent of gross receipts as tip income; and (2) monitor the implementation of the review process to ensure a reasonably consistent IRS-wide approach.

Status: Action in process. IRS is implementing this recommendation by: (1) issuing instructions on evaluating information; and (2) requiring regions to more closely monitor the appeals process.

General Purpose Fiscal Assistance

The Small Business Administration's Second-Year Implementation of the Federal Managers' Financial Integrity Act

RCED-86-24, 10/18/85

Background

GAO evaluated the Small Business Administration's (SBA) implementation of the Federal Managers' Financial Integrity Act (FIA) to determine: (1) the progress it has made to identify and correct internal control weaknesses and to evaluate systems of internal controls; (2) whether SBA accounting systems and evaluations conform to GAO requirements; and (3) the accuracy and completeness of the SBA Administrator's annual report on internal controls and accounting systems.

Findings

GAO found that SBA has: (1) reported the correction of 6 of the 17 material internal control weaknesses which it identified in 1984; (2) made progress in implementing corrective actions pertaining to the 16 material weaknesses it identified in 1983; (3) implemented corrective actions pertaining to 40 of the 225 weaknesses that were not categorized as material; and (4) implemented a follow-up system, in accordance

with Office of Management and Budget (OMB) guidelines, to keep track of actions taken to correct material weaknesses. In addition, GAO found that: (1) the internal control reviews (ICR) completed in 1984 were generally in accordance with OMB guidelines; and (2) the SBA computerized internal control review system provides a good basis for reviewing internal controls at field offices where most SBA programs are delivered. However, GAO found that SBA has not adequately reviewed its automatic data processing (ADP) controls because testing was not performed and guidelines were not issued on how to evaluate ADP controls. Finally, although the annual report stated that two of the six SBA accounting systems were in conformance with the Comptroller General's principles, standards, and requirements, GAO believes that the report was misleading because it failed to: (1) disclose that the two systems accounted for less than 5 percent of the funds accounted for by SBA; and (2) clearly identify and summarize accounting system weaknesses.

Open Recommendations to Agencies

The Administrator, SBA, should describe accurately the scope of assurance given and known system weaknesses in future FIA reports. For example, the report should include an indication of accounting system size, such as the number of dollars involved, use consistent terminology throughout, and summarize accounting system weaknesses. In addition, systems that have not been adequately evaluated should not be reported in conformance with the Comptroller General's requirements.

Status: Action in process. Estimated completion date: 12/86. In future reviews/certifications, SBA plans to more accurately describe the scope of assurance given, more accurately present material in the report, use consistent terminology, and identify the extent of review in quantitative terms.

General Science, Space, and Technology

General Science and Basic Research

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments

PAD-80-79, 09/03/80

Background

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP studied the 13 issues on federal organization and management of science and technology policy, and to determine the extent of OSTP involvement in strategic planning for science and technology. Top OSTP officials believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President (EOP). OSTP management and staff also believe that all their work must be tied to the existing policymaking process in EOP, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and Budget in the research and development budget process.

Findings

GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in EOP. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a system-

atic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Open Recommendations to Congress

Congress should consider: (1) how it and the OSTP Director can best identify and resolve concerns about the Director's choice of operating style; (2) if the OSTP legislative mandate is too comprehensive; and (3) what other means might fulfill congressional needs for information and analysis not provided by OSTP.

Status: Action not yet initiated.

General Science and Basic Research

Implementing the Small Business Innovation Development Act—The First 2 Years

RCED-86-13, 10/25/85

Background

GAO reported on the implementation of the Small Business Innovation Development Act, including the extent to which: (1) agencies established, funded, and provided accurate information on small business innovation research (SBIR) activities; and (2) the Small Business Administration (SBA) and the Office of Science and Technology Policy (OSTP) carried out program coordination, monitoring, and congressional reporting duties mandated by the act. The act requires that each agency that spends more than \$100 million annually on extramural research establish an SBIR program and each agency that spends more than \$20 million annually on research establish non-SBIR research funding goals for small businesses.

Findings

GAO found that, through fiscal year (FY) 1984: (1) 11 of the 12 agencies that were required to establish SBIR programs did so; (2) the agencies made about 2,100 SBIR awards totalling \$156 million; (3) most of the agencies reported compliance based on SBIR obligational authority rather than on actual extramural obligations because a reporting deadline established by the act conflicts with agencies' deadlines for making budget submissions to the Office of Management and Budget (OMB); and (4) most agencies either met or came close to meeting their required SBIR percentages. GAO also found that: (1) most of the agencies required to have non-SBIR goals did not provide SBA with all of the data necessary to ensure compliance with the act; (2) in FY 1984, the amount of total research and development (R&D)

dollars that agencies reported to SBA differed from the amount reported in the President's budget; (3) SBA has issued policy guidance, publicized the SBIR program, coordinated agencies' issuance of SBIR solicitations, and monitored and reported agencies' implementation efforts; and (4) while OSTP has monitored agency implementation and reported to Congress as required by the act, it has not assessed the quality of research performed under SBIR programs, as Congress apparently intended.

Open Recommendations to Congress

When it comes up for reauthorization, Congress should amend section 4 of the act to clarify application of the criterion for determining which agencies must establish non-SBIR goals for research funding agreements with small businesses. Specifically, Congress should resolve the ambiguity by making it clear that whether an agency needs to establish goals should be determined annually by applying the stated criterion.

Status: Action not yet initiated.

Open Recommendations to Agencies

To permit proper determination of compliance with the funding provisions of the act, the heads of appropriate agencies with SBIR programs should report actual FY extramural R&D obligations, rather than estimates, to SBA.

Status: Action in process. The Department of Transportation (DOT) will report actual obligation data to SBA beginning with the FY 1985 report due in 1986. SBA, however, has not published officially reported data since the report. Determination of the action cannot yet be made.

Target: Department of Transportation

Status: Action taken not fully responsive. The Department of Defense (DOD) indicated that it would report actual obligation data according to the SBA Annual Report to Congress for FY 1985. DOD was the only agency that did not report actual obligations.

Target: Department of Defense

Status: Action in process. The Department of Education will report actual obligations to SBA beginning with the FY 1985 report due in 1986. SBA, however, has not published officially reported data since the report. Determination of the action cannot yet be made.

Target: Department of Education

Status: Action in process. The Environmental Protection Agency (EPA) reported actual obligations to SBA in the FY 1985 report in March 1986. SBA, however, has not published officially reported data since the report. Determination of the action cannot yet be made.

Target: Environmental Protection Agency

Status: Action in process. The Nuclear Regulatory Commission (NRC) will report actual obligations to SBA

beginning with the FY 1985 report in March 1986. SBA, however, has not published officially reported data since the report. Determination of the action cannot yet be made.

Target: Nuclear Regulatory Commission

The Secretary of Defense should determine definitively which, if any, activities funded under the Operational Systems Development category of the DOD Research, Development, Testing, and Evaluation appropriations conform to the common definition used in reporting R&D funding under the act, the National Science Foundation's (NSF) annual survey of federal R&D funds, and the special analysis of R&D funds in the President's budget. The Secretary should then instruct the responsible DOD officials to consistently apply the Secretary's determination when reporting R&D funding data to the three recipients.

Status: Recommendation valid/action not intended. DOD contends that consistent reporting of R&D funds to the three recipients would be inappropriate. Legislation has passed the House and is pending in the Senate, which would specifically exclude the category in question from reporting under the SBIR act. Congress amended the act in September 1986.

The Secretary of Transportation should, beginning in FY 1985, include all R&D obligations, regardless of the year during which they were appropriated, when reporting annual extramural R&D funding data to SBA for purposes of the act.

Status: Action in process. DOT will report all R&D obligations regardless of year appropriated, beginning with the FY 1985 report to SBA due in 1986. SBA, however, has not published officially reported data since the report. Determination of the action cannot yet be made.

The Administrators of the Agency for International Development (AID) and the Veterans Administration (VA) should submit data for FY 1983 and FY 1984 regarding non-SBIR goals to SBA, in accordance with requirements contained in the act and the SBA policy directive.

Status: Action not yet initiated. AID will provide the FY 1983 and 1984 data to SBA, but it did not specify a date by which the action would be completed.

Target: Agency for International Development

Status: Action not yet initiated. VA will provide the FY 1983 and 1984 data to SBA as soon as it is available from the Federal Procurement Data Center. VA did not specify a date by which the action would be completed.

Target: Veterans Administration

The heads of applicable agencies subject to the non-SBIR goals provisions of the act should reassess their respective agencies' reports to OMB and SBA for FY 1983 and FY 1984, make them consistent, and instruct the appropriate officials to take steps to ensure the consistency of these reports in the future.

Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.

Target: Department of Transportation

Status: Action in process. DOD stated that it would make future reports consistent but did not commit to a specific date for doing so. SBA has not published officially reported data since the report, thus consistency cannot yet be determined.

Target: Department of Defense

Status: Action not yet initiated. EPA agreed with this recommendation but did not specify what, if any, action it plans to take to reassess the FY 1983 and 1984 reports.

Target: Environmental Protection Agency

Status: Action in process. NRC should reassess the FY 1983 and 1984 reports by the end of 1986. SBA has not published officially reported data since the report, thus consistency cannot yet be determined.

Target: Nuclear Regulatory Commission

Status: Action in process. Justice reviewed the FY 1983 and FY 1984 reports and concluded that revisions to SBA were not needed. It agreed that reporting should be consistent. SBA has not published officially reported data since the report, thus consistency cannot yet be determined.

Target: Department of Justice

Status: Recommendation valid/action not intended. NASA erroneously believes that the reports to SBA and OMB are inherently different and cannot be made consistent.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated. The Smithsonian Institution has not yet specifically addressed this recommendation. It was not addressed in advance comments and the Smithsonian has not responded to the final report.

Target: Smithsonian Institution

Status: Action taken not fully responsive. The Tennessee Valley Authority (TVA) stated that it provided the revised figures to GAO in March 1985. It did not specify whether it reassessed the FY 1983 and 1984 reports or what steps it had taken to ensure consistent reporting in the future.

Target: Tennessee Valley Authority

The heads of applicable agencies subject to the non-SBIR goals provisions of the act should, after reviewing the OMB and SBA reports, provide SBA with revised non-SBIR goals data where necessary.

Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.

Target: Department of Transportation

Status: Action not yet initiated. DOD did not address this recommendation in its comments or in the final report. It misinterpreted this recommendation in commenting on the draft report.

Target: Department of Defense

Status: Action not yet initiated. EPA has not specified what, if any, action it plans to take on this recommendation.

Target: Environmental Protection Agency

Status: Action in process. NRC will report revised data to SBA by the end of 1986. SBA has not yet published officially reported data since the report, thus the action cannot yet be determined.

Target: Nuclear Regulatory Commission

Status: Action not yet initiated. HHS will provide revised data to SBA but did not specify a date by which it would do so.

Target: Department of Health and Human Services

Status: Recommendation valid/action not intended. NASA believes that the reports to SBA and OMB are inherently different and cannot be made consistent.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated. The Smithsonian has not yet specifically addressed this recommendation. It was not addressed in advance comments and the agency has not yet responded to the final report.

Target: Smithsonian Institution

Status: Action not yet initiated. TVA will provide revised data to SBA but did not specify a date by which it would do so.

Target: Tennessee Valley Authority

Status: Action not yet initiated. USDA will provide revised data to SBA, but as of December 30, 1986, it still had not done so.

Target: Department of Agriculture

The heads of applicable agencies subject to the non-SBIR goals provisions of the act should instruct the appropriate officials in their respective agencies to establish goals known to officials responsible for awarding external R&D funds.

Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.

Target: Department of Transportation

Status: Action not yet initiated. AID did not specify planned actions regarding this specific recommendation.

Target: Agency for International Development

Status: Action not yet initiated. VA did not address this recommendation in its comments on the draft report or in its response to the final report.

Target: Veterans Administration

Status: Action in process. Education is developing notices to be sent to all senior officers informing them of goals and requesting their help in meeting the goals. Education did not specify a completion date for this action.

Target: Department of Education

Status: Action not yet initiated. EPA will issue letters to officials informing them of goals early in the fiscal year, beginning in FY 1987.

Target: Environmental Protection Agency

Status: Action not yet initiated. NRC will notify officials of goals early in the fiscal year, beginning in FY 1987.

Target: Nuclear Regulatory Commission

Status: Action in process. NASA began notifying officials of goals in March 1986, however, it is unable, as yet, to confirm the promised action.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated. The Smithsonian did not address this recommendation in its comments on the draft report and has not yet responded to the final report.

Target: Smithsonian Institution

Status: Action not yet initiated. TVA stated that it would promptly notify managers of the goals but did not state a specific date by which it would do so.

Target: Tennessee Valley Authority

Status: Action not yet initiated. USDA will inform officials of goals, but as of December 30, 1986, it had not done so.

Target: Department of Agriculture

The Administrator, SBA, should recompute agencies' non-SBIR goals using revised data for FY 1983 or FY 1984 that agencies provide to SBA after reviewing previously submitted data for consistency with data reported to OMB. SBA should also use the recomputed FY 1983 goals as the baseline data against which to evaluate goal achievement in subsequent FY's.

Status: Action in process. SBA is recomputing agencies' goals as they submit revised FY 1983 and 1984 data. Completion of this action depends on all agencies submitting revised data.

OSTP should expand its oversight of agencies' SBIR programs by using the Federal Coordinating Council for Science, Engineering, and Research to

monitor the SBIR programs in terms of research quality.

Status: Recommendation valid/action not intended. OSTP believes that adequate quality assurance measures are built into agencies' project selection procedures and further OSTP effort is unnecessary. GAO rebutted the basis for OSTP opposition in the report.

General Science and Basic Research

Nuclear Science: DOE Should Provide More Control in Its Accelerator Selection Process

RCED-86-108, 04/04/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) review and selection process for approving the Southeastern Universities Research Association's proposal to plan, manage, and operate a continuous electron beam accelerator facility (CEBAF).

Findings

GAO found that DOE used unsolicited proposals in selecting the facility's design, which resulted in DOE: (1) approving a contractor that had no

technical expertise to plan, manage, and operate a CEBAF; (2) selecting a CEBAF design that had several technical uncertainties; and (3) not identifying and evaluating technologies that were better suited for the CEBAF and available at the time of the original design selection. GAO also found that, while DOE has corrected the problems associated with using unsolicited proposals, including establishing a CEBAF project office with key personnel with experience in constructing, managing, and operating accelerators, it needs to use other procurement methods for future accelerators.

Open Recommendations to Agencies

The Secretary of Energy should direct the Division of Nuclear Physics to explore other procurement approaches in its future accelerator acquisitions, with a view towards ensuring that DOE: (1) considers all available relevant technologies; and (2) retains sufficient flexibility and control over all aspects of such acquisitions, before and after approval.

Status: Recommendation valid/action not intended. DOE believes its procurement methods are sound, therefore, it disagreed with this recommendation.

General Science and Basic Research

Nuclear Science: Information on DOE Accelerators Should Be Better Disclosed in the Budget

OCED-86-79, 04/09/86

Background

In response to a congressional request, GAO reported on issues concerning: (1) the size and nature of the Department of Energy's (DOE) investment, prior to congressional approval, in new high-energy and nuclear physics accelerator facilities or major upgrades; and (2) the events and procedures leading to DOE review and approval for building a continuous electron beam accelerator facility.

Findings

GAO found that: (1) the DOE practice of incrementally funding projects and omitting project technical uncertainties in budget requests makes it difficult for Congress to assess the affordability of such projects; (2) past DOE budget requests for the upgrade of an existing accelerator or the construction of a new one were often based on incomplete information; (3) the DOE definition of a project lacks specific criteria on when a project starts and ends and what components should be included; and (4) the DOE physics program offices have defined an accelerator project as the effort during construction. GAO also found that: (1) DOE budget requests frequently do not include costs for equipment and other project-specific components that planning documents indicate are needed to make an upgrade or new facility complete and operational; (2) including these omitted costs would increase the DOE-estimated cost of the total upgrade from about \$212 million to \$579 million; and (3) accelerator projects which incur substantial costs were not disclosed as project-related expenses

before Congress approved the construction costs. GAO estimated the cost for the projects' preconstruction at about \$400 million, \$352 million of which DOE did not identify in its budget request.

Open Recommendations to Congress

The House and Senate Committees on Appropriations should include a directive in the DOE appropriations legislation requiring disclosure of accelerator project information in accordance with the GAO recommendations to DOE.

Status: Action not yet initiated.

Target: House Committee on Appropriations

Status: Recommendation valid/action not intended.

Target: Senate Committee on Appropriations

Open Recommendations to Agencies

The Secretary of Energy should require the Office of Energy Research to identify and clearly disclose the preconstruction costs of major accelerator projects in the DOE annual budget submission to Congress before committing large resources to these projects. To achieve this end, the Secretary should: (1) direct the Office of Energy Research to follow applicable internal DOE regulations under which major undertakings

should be identified as projects; and (2) consider requiring early identification at the time research is started or when projects reach the stage at which they are specific enough to be proposed to or recommended by applicable advisory committees.

Status: Recommendation valid/action not intended. DOE disagreed with this recommendation and stated that it believes that Congress has access to required budgetary data.

The Secretary of Energy should require the Office of Energy Research to clarify the definition of an accelerator project to ensure that specific identifiable upgrades or new facilities include all the necessary components to make the projects complete and operational.

Status: Recommendation valid/action not intended. DOE disagreed with this recommendation and stated that it believes that Congress is aware of the costs.

The Secretary of Energy should require the Office of Energy Research to report complete costs of projects along with their technical uncertainties in the budgets furnished to Congress so that the projects' need, affordability, and priority can be appropriately evaluated prior to committing resources to the projects.

Status: Recommendation valid/action not intended. DOE disagreed with this recommendation and stated that Congress is aware of technical uncertainties related to the projects.

General Science and Basic Research

DOE Has Insufficient Control Over Nuclear Technology Exports

RCED-86-144, 05/01/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) control over assistance to foreign atomic energy programs, specifically, those involving sensitive nuclear technology.

Findings

GAO noted that: (1) the Secretary of Energy may only authorize the exportation of nuclear technology if he determines that the authorization does not adversely affect U.S. interests, and the Department of State concurs; (2) sensitive nuclear technology (SNT) requires specific authorization for export to recipient countries, which must agree to certain conditions regarding its use; and (3) the Nuclear Regulatory Commission (NRC) shares responsibility with DOE for controlling nuclear exports. GAO found that DOE: (1) failed to establish objective standards for authorizing exports as recommended, and its controls were, therefore, inconsistent with NRC controls; (2) authorized exports for SNT without review and based on factors not contained in the Nuclear Non-Proliferation Act of 1978; and (3) authorized, without reviewing, reports that contained information on sensitive nuclear facilities and operations.

Open Recommendations to Congress

If DOE does not act to establish standards for authorizing U.S. assistance to foreign nuclear programs, Congress may wish to consider whether DOE-regulated exports should be subjected to export control standards similar

to those currently required of NRC-licensed exports.

Status: Action not yet initiated.

Open Recommendations to Agencies

To better ensure federal control over the U.S. assistance provided to foreign atomic energy programs, the Secretary of Energy should revise the general authorization provision of DOE regulations to: (1) allow only previously published documents readily available to the public for the cost of reproduction to be provided under the general authorization; and (2) require that any new documents, even if based on publicly available information, be submitted to DOE for specific authorization if they are being sent to restricted countries or involve sensitive facilities.

Status: Action in process. DOE is in the process of revising its regulations to conform to this recommendation.

The Secretary of Energy should establish objective standards and incorporate such standards in DOE regulations. As a part of this effort, the Secretary should describe how political and economic factors will be weighed in conjunction with objective nonproliferation standards, such as facility safeguards.

Status: Recommendation valid/action not intended. DOE disagrees that objective standards are needed in its regulations. DOE believes that its current procedures are adequate for ensuring that the proliferation significance of export activities is considered along with polit-

ical and economic factors. While DOE has not finalized its revised regulations, it has informed GAO that it does not intend to adopt this recommendation.

The Secretary of Energy should develop a clear interpretation of SNT and establish criteria to be used in evaluating proposed activities for SNT. The criteria should be developed using rule-making procedures and included in the agency's SNT regulation.

Status: Action not yet initiated. DOE is planning to revise its SNT criteria and guidelines; however, it stated that it is not yet clear whether they will be included in the regulations. DOE intends to obtain experience with using its revised SNT guidelines before making a decision on including the guidelines in the regulations.

The Secretary of Energy should provide opportunities for Subgroup on Nuclear Export Coordination (SNEC) agencies to review and comment on all proposed activities reviewed by DOE, including technical exchange activities, that involve providing assistance to sensitive foreign nuclear facilities. The interagency review procedures should be amended to reflect these opportunities.

Status: Action taken not fully responsive. DOE has begun sending its proposed activities involving sensitive foreign nuclear facilities to SNEC for review; however, the recommended revisions to the interagency review procedures have not been effected.

The Secretary of Energy should clarify regulations to clearly detail what

activities qualify as indirect assistance requiring authorization and undertake efforts to increase the awareness of the regulations in both the private and public sectors, to preclude inadvertent violations of the regulations.

Status: Action in process. DOE is in the process of revising its regulations to conform to this recommendation.

The Secretary of Energy should revise the reporting requirements of the regulations to require persons granted specific authorizations to provide DOE updates of the status of their activities when they are completed or if they are not conducted.

Status: Action in process. DOE is in the process of revising its regulations to conform to this recommendation.

The Secretary of Energy should establish procedures requiring DOE to provide routine and timely dissemination of data on activities authorized by the Department.

Status: Action in process. DOE is in the process of revising its regulations to conform to this recommendation.

Space Flight

NASA's Procurement of Solid Rocket Booster Motors

NSIAD-86-194, 08/26/86

Background

GAO reported on its testimony concerning the National Aeronautics and Space Administration's (NASA) shuttle booster rocket procurement, focusing on: (1) the circumstances surrounding the second-source initiative for procuring solid rocket motors (SRM); and (2) quality control and safety at the SRM manufacturing facility.

Findings

GAO found that: (1) in January 1986, after repeated delays, NASA announced its intention to establish a second SRM production source to broaden the industrial base for SRM production and enhance national security; (2) potential second-source contractors expressed concerns that several of the ground rules in the initiative would inhibit competition; (3) following the space shuttle Challenger accident, NASA suspended its second-sourcing plans until the causes of the accident were determined; and (4) neither the government nor the contractor was giving potentially serious quality control and safety problems the management attention they deserved. GAO believes that: (1) NASA plans to determine an appropriate second-

sourcing approach following the completion of redesign studies is reasonable; and (2) the guidelines NASA established in January 1986 might not have fostered competition in the motor procurement.

Open Recommendations to Agencies

Given its previous difficulties in developing a second source for shuttle motor production, including the January 1986 ground rules which might not have fostered competition, the Administrator, NASA, should prepare, and provide to Congress, a comprehensive acquisition strategy and plan for the continued procurement of motors. The plan should address: (1) the NASA decision about upgrading the motor design; (2) alternatives for establishing and maintaining competition in future procurements; and (3) the costs and benefits of each alternative.

Status: Action in process. NASA has informed GAO that, as directed by the congressional conference committee, an assessment will be conducted in early 1987 and a report will be submitted to Congress.

Before motor production resumes, the Administrator, NASA, and the Secretary of the Air Force should determine the number and types of government personnel needed to adequately ensure quality control in motor manufacturing operations and to acquire the needed staff.

Status: Action not yet initiated. NASA has informed GAO that before production is resumed, NASA will reassess, with the Air Force, the number and types of government personnel needed to adequately ensure quality control in motor manufacturing and acquire, to the extent possible, the needed staff.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated. The Department of Defense has not provided its response to this recommendation to the appropriate congressional committees.

Target: Department of the Air Force

Before motor production resumes, NASA should identify any other mechanisms, including possible contractual

incentives or penalties, needed to ensure that the controls are properly implemented and enforced.

Status: Action not yet initiated. NASA has informed GAO that it will identify and include contractual incen-

tives or penalties, where possible, to ensure controls are implemented and enforced.

Space Science, Applications, and Technology

NASA's Progress in Implementing Financial Integrity Act Requirements

NSIAD-86-3, 11/19/85

Background

GAO reviewed the National Aeronautics and Space Administration's (NASA) continuing implementation of the Federal Managers' Financial Integrity Act (FIA).

Status: Recommendation valid/action not intended. NASA believes that its FIA program is in accordance with Office of Management and Budget (OMB) guidelines and provides an adequate basis for stating that its internal control systems met FIA requirements. NASA does not plan to change its reporting format unless OMB guidance changes.

specific weaknesses, changes to the current NASA evaluation process were not considered necessary. However, NASA is considering alternative evaluation processes, but no decision has been made.

Findings

GAO found that NASA has improved its FIA implementation, but: (1) used a questionable process to identify internal control weaknesses and failed to identify some material weaknesses; (2) did little to change its follow-up process for identified weaknesses; (3) cannot ensure that certain key internal controls are working as intended; and (4) was unable to effectively use its vulnerability assessments because they did not identify the areas of highest risk. GAO also found that, while NASA has made progress in evaluating its accounting systems, it: (1) failed to evaluate 8 of the 20 systems in its accounting system inventory; (2) did not sufficiently test the systems it did evaluate; and (3) did not have an adequate basis to report that its systems were in conformance with the Comptroller General's requirements for accounting systems.

The Administrator, NASA, should direct the Associate Administrator for Management to ensure that NASA centers are reporting all important internal control weaknesses to the Internal Control Working Group.

The Administrator, NASA, should limit the accounting systems conformance statement to only those systems which have been evaluated and properly tested in operation during the NASA 2-year accounting system evaluation cycle.

Status: Action in process. NASA plans to review, during 1986, its present process for reporting weaknesses to determine if improvements are necessary. On March 20, 1986, the Associate Administrator, NASA, issued a call letter which stressed the need to identify and disclose all internal control weaknesses. The results of this action will not be known until January 1987, when the next FIA report is completed.

Status: Action in process. NASA agreed that more testing could be done; however, the benefits derived would not justify the additional cost. Subsequent to these comments, NASA officials agreed to begin formalizing an evaluation plan and to consider computer-based testing of valid, and to a lesser extent, invalid transactions.

The Administrator, NASA, should direct the Associate Administrator for Management to ensure that NASA managers are provided sufficient guidance to allow them to comprehensively evaluate automatic data processing (ADP) internal controls.

The Administrator, NASA, should direct the Comptroller to ensure that transaction tests are performed on all critical aspects of accounting systems in operation, including ADP controls.

Open Recommendations to Agencies

The Administrator, NASA, should not report that systems of internal control, taken as a whole, meet the requirements of the act until the Administrator is ensured that the FIA program provides an adequate basis to make such a determination.

Status: Recommendation valid/action not intended. The official NASA response to the report stated that it would not be cost-effective to define controls on its thousands of applications. Since the report did not cite

Status: Action in process. NASA agreed that more testing could be done; however, the benefits derived would not justify the additional cost. Subsequent to these comments, NASA officials agreed to begin formalizing an evaluation plan and to consider computer-based testing of valid, and to a lesser extent, invalid transactions.

Health

Affirmative Action: National Institutes of Health Does Not Fully Meet Federal Requirements

HRD-86-37, 03/05/86

Background

Pursuant to a congressional request, GAO evaluated equal employment opportunity (EEO) and affirmative action activities at the National Institutes of Health (NIH), to assess how: (1) the reorganization of the Division of Administrative Services affected black employees; (2) the discrimination complaints process is working; (3) the affirmative action program is working; and (4) minorities and women are represented in the work force.

Findings

GAO found that, although the reorganization of the Division of Administrative Services caused anxiety among all of the employees and some blacks felt that they were treated unfairly, there was no evidence that minorities were treated differently than nonminorities, and no employees were downgraded or dismissed as a result of the reorganization. NIH took longer to investigate, render a decision on, and resolve discrimination complaints than other public health agencies because of internal management and personnel problems involving those responsible for the investigations. Although NIH appointed a new division director who initiated actions to improve processing, it needs to sustain its efforts and attention to ensure further improvements. NIH has not fully complied with four of the eight requirements for the Equal Employment Opportunity Commission

(EEOC) Affirmative Action Program. Specifically, it has not: (1) established numerical hiring goals for underrepresented groups; (2) consistently implemented minority and female recruitment strategies; (3) collected key data to monitor the program; and (4) completed analysis of impediments to EEO. GAO believes that: (1) this noncompliance may have contributed to the continued underrepresentation of minorities and women; and (2) NIH management needs increased effort, strong commitment, and active support to bring its affirmative action plan into compliance.

Open Recommendations to Congress

Congress should explore the situation with the Office of Personnel Management and EEOC to clarify what these agencies' current positions are concerning the collection of flow data.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Director, NIH, to comply with EEOC Affirmative Action Program directives by establishing numerical hiring goals for all underrepresented groups.

Status: Action in process. The Secretary, in his formal response to the report recommendations, indicated that NIH is working to bring its Affirmative Action Program into compliance with EEOC directives.

The Secretary of Health and Human Services should direct the Director, NIH, to comply with EEOC Affirmative Action Program directives by developing and implementing minority and female recruitment plans in organizational components that do not have them.

Status: Action in process. The Secretary, in his formal response to the report recommendations, indicated that NIH is working to bring its Affirmative Action Program into compliance with EEOC directives.

The Secretary of Health and Human Services should direct the Director, NIH, to comply with EEOC Affirmative Action Program directives by identifying and eliminating employment barriers for minorities and women.

Status: Action in process. The Secretary, in his formal response to the report recommendations, indicated that NIH is working to bring its Affirmative Action Program into compliance with EEOC directives.

Financial Management: An Assessment of the Veterans Administration's Major Processes

AFMD-86-7, 06/27/86

Background

In response to a congressional request, GAO reported on the Veterans Administration (VA) financial management process to: (1) identify and describe the major VA financial management processes and the primary information on which they rely; (2) identify and assess the major financial management implications of any weaknesses in this information; (3) determine if and how VA ranks veterans' needs with service-connected health care problems in its medical care and construction planning; and (4) identify and assess the processes VA uses to rank major construction projects.

Findings

GAO found that, although VA has a basically sound financial management process, it does not have reliable, timely, and useful cost and work load information to support this process because: (1) it has not set realistic, measurable goals for its medical care and construction programs and lacks the information to assess results against such goals; (2) its financial management systems' design is inadequate; (3) its automatic data processing system has problems; (4) its health care planning and programming process has not yet produced a realistic, national health care strategy for establishing both budget and construction priorities; (5) its major construction planning and prioritization process has no clear focal point of accountability below the Administrator; and (6) the data from the planning process and from the facility engineer's assessment of each facility's physical condition are inadequate. GAO also found that VA systems do not provide the per-patient

clinical and cost information required to allocate hospital operating budgets based on the types of patient illnesses, and consequently: (1) hospitals lack information about their actual costs of treating specific patients or illnesses to help identify ways to control those costs; (2) VA cannot readily track patient drug use and doctor prescription patterns, making it difficult to manage drug usage and costs; and (3) the primary medical program cost reports that VA uses for planning, budgeting, and budget execution are based on unreliable quarterly estimates.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by using a cost accounting system which captures costs and work load data on a more specific and managerially useful basis, such as diagnostic-related groups (DRG) or individual patient. The capture of data by DRG would permit hospitals to better control excessive costs related to DRG. Since VA allocates hospital budgets on the basis of work load and costs as measured by DRG, its accounting system should be able to capture work load and costs on the same basis.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by setting standards for many of the inputs

to medical care to provide managers with reports showing variances between planned versus actual work load and costs. The Brockton/West Roxbury project is reviewing a well-developed variance reporting system that might be applicable.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by incorporating a modeling function within its management information system to permit managers to analyze projections of the probable consequences of alternative changes in budget work loads and costs.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

The Administrator of Veterans Affairs should take actions to improve the VA budget formulation process for medical care, including: (1) the use of a casemix approach to develop its budget, which would involve using costs which are more clearly related to VA estimates of veterans' medical needs; (2) the development of an approach to budget formulation which would emphasize the role of field management, not only Central Office management, and would foster better communication and understanding between the participants and improve the delivery of medical care; and (3) the use of cost and work load data by DRG to improve the linkage between budget formulation and exe-

cution and to develop more accurate budget estimates.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

To make its Medical-District-Initiated Program Planning (MEDIPP) system more useful to both medical care planners, decisionmakers, budget officers, and Congress, the Administrator of Veterans Affairs should: (1) develop a clearly ranked set of national medical care goals and objectives to guide both MEDIPP planners and those who prioritize medical care construction projects; (2) establish a planning framework based on a projection of the types of illnesses, for which future veterans are expected to request care, and an analysis of the resources necessary to provide that care; (3) systematically collect and use veteran eligibility data in planning to meet the needs of the greatest number of veterans authorized to receive VA medical care in the order of their priority for receiving care; and (4) develop a systematic mechanism to link the results of MEDIPP with the budget process.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

The Administrator of Veterans Affairs should continue efforts to: (1) improve the reliability and usefulness of the data bases with planning applications, giving priority to current efforts to develop a system of capturing clinical work load and cost data on a per patient, per illness, and clinic stop basis; and (2) use one or more dollar ceilings to guide MEDIPP planners in their assessment of alternative medical care strategies.

Status: Action in process. VA is developing a system that would capture patient clinical and cost data. It is uncertain when this system will be operable. Beginning with MEDIPP plans submitted in November 1986, MEDIPP planners are using a dollar ceiling in plan development.

To correct the weaknesses in the VA construction process, the Administrator of Veterans Affairs should develop a phased strategy to include actions that would: (1) require that MEDIPP produce a national medical care strategy, with clearly defined medical care priorities, and the construction projects to support those priorities; (2) establish a comprehensive set of design standards for each major type of VA medical care facility for use in the construction

process; (3) establish a comprehensive set of work load, staffing, and space design standards for each major function in a VA medical care facility; (4) establish clear milestones for the planning, design, and construction of each major type of facility; and (5) clearly define the roles and responsibilities of major participants and assign primary responsibility and accountability to one office for both the timeliness and results of each major step of the process.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

The Administrator of Veterans Affairs should take action to improve financial management information by calculating and recording an accrual, which includes an estimate of benefit payments to be paid to those individuals currently in military service. The liabilities of the compensation and pension programs would then be more fairly stated and this information could be used for planning purposes.

Status: Action not yet initiated. VA has not yet provided its official response to the report.

Consumer and Occupational Health and Safety Legislative Changes and Administrative Improvements Should Be Considered for FDA To Better Protect the Public From Adulterated Food Products

HRD-84-61, 09/26/84

Background

Pursuant to a congressional request, GAO evaluated the Food and Drug Administration's (FDA) efforts to remove adulterated food products from the market and attempted to determine whether FDA needs additional authority to carry out its mission. GAO reviewed food recalls, food seizures, and

prosecution actions carried out by FDA from 1980 to 1982.

Findings

GAO found that, while FDA is authorized to seize adulterated foods, it is not authorized to detain such products while seizure actions are being processed by FDA and the Justice

Department. FDA frequently requests states to detain adulterated foods or requests firms to voluntarily hold food products. However, GAO found several instances where products were unavailable for seizure by the time seizure actions were processed. GAO believes that: (1) if FDA had detention authority over adulterated foods, similar to its authority over medical devices, it

could prevent greater amounts of adulterated foods from reaching the market; and (2) FDA could more easily remove adulterated foods from the market if it had the authority to review food manufacturers' production and distribution records. GAO also found that: (1) FDA could hasten the seizure process by eliminating several levels of review within FDA; (2) FDA has not adequately monitored recalled foods to ensure that recalled products are reconditioned; and (3) fines assessed for vio-

lations of federal laws pertaining to adulterated foods are relatively small.

Open Recommendations to Congress

Congress should consider whether FDA needs specific authority to detain adulterated foods while the agency processes seizure requests internally and through the Department of Justice.

Status: Action not yet initiated.

Congress should consider amending the Food, Drug, and Cosmetic Act to give FDA authority to review production and shipping records after it has found that a firm is producing adulterated food products.

Status: Action not yet initiated.

Consumer and Occupational Health and Safety

Food Inspections: FDA Should Rely More on State Agencies

HRD-86-2, 02/18/86

Background

Pursuant to a congressional request, GAO reviewed whether the Food and Drug Administration (FDA) could place greater reliance on state agencies to inspect the sanitation conditions of the food manufacturing establishments in its current inventory.

Findings

GAO noted that FDA does not specify the frequency with which food sanitation inspections should be conducted but selects establishments for inspection based on products produced, the potential health risk involved, and the industry's inspection history. GAO found that: (1) 57 out of 69 food establishments in the FDA active inventory were routinely inspected by state agencies on an average of every 7 months; (2) over half of the establishments had 10 percent or less interstate sales; and (3) of the 57 firms sampled, 23 had one or more routine inspections where serious sanitation problems were noted. GAO also found that: (1) FDA justified keeping 69 establishments in its inventory because they had a large volume of business, produced products that had the potential

for sanitation problems, or were subject to consumer complaints and labeling problems involving food and color additives; (2) where seriously unsanitary conditions are noted, state agencies inspect such establishments twice as frequently as other establishments; (3) consumer complaints could be forwarded to state agencies for follow-up procedures; and (4) in view of the states' significant roles in regulating the condition of food manufacturers, FDA inspections of most of the establishments are not warranted.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner, FDA, to review the current inventory and determine the establishments that should be removed, considering state inspection frequency, policies, results, interstate commerce, and sales volume.

Status: Action in process. Estimated completion date: 10/87. FDA established a committee to make recommen-

dations regarding criteria to be followed in allocating resources for food sanitation inspections. Recommendations are expected to be implemented in fiscal year (FY) 1987.

The Secretary of Health and Human Services should direct the Commissioner, FDA, in conjunction with state inspection agencies, to begin developing a strategy for future inspection of establishments with a history of serious or very serious sanitation problems to help ensure that these establishments are in compliance with applicable food laws and regulations.

Status: Action in process. FDA is working closely with state agencies regarding work planning, use of computers in monitoring food establishments, and national pesticide data programs.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to consider the current level and allocation of inspection resources devoted to the food sanitation programs and make appropriate adjustments, recognizing the reduced

inventory and extent of inspection coverage needed to adequately monitor food manufacturing establishments.

Status: Action in process. Estimated completion date: 09/87. FDA is presently reviewing its state contract

program to determine if changes are needed for FY 1987 and 1988.

Consumer and Occupational Health and Safety

Laboratory Analysis of Product Samples Needs To Be More Timely

HRD-86-102, 09/30/86

Background

GAO reviewed the Food and Drug Administration's (FDA) field laboratories, specifically: (1) their timeliness in processing product samples to determine if they were violative; and (2) measures FDA could implement to improve this process.

Findings

FDA district office investigators collect and ship samples to laboratories for analysis and classification as: (1) compliance samples, which FDA believes are possibly violative; or (2) surveillance samples, collected to obtain safety and other data. To achieve its consumer protection responsibilities, FDA must quickly identify and remove known or suspected violative products from the market. GAO found that FDA: (1) has not given its laboratories sufficient guidance on how quickly they should process such products; (2) does not monitor or evaluate field performance in meeting processing-time guidelines; and (3) has not given the laboratories guidance on managing the flow of samples into inventory or adequately controlling inventory size. Since laboratory documentation requirements add to sample processing time, FDA has allowed abbreviated reports of sample test results in some cases. However, many field laboratories have not used the abbreviated report. GAO previously proposed that Congress consider giving FDA broader detention authority to help keep violative products off the market, FDA believes that the detention period should be the 30 days after sample collection, which would require

a shortening of the laboratory processing time to allow time for the necessary legal actions to seize the violative products.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish time-frame guidelines for field laboratories' processing of all samples, consistent with the four sample processing priority designators used by the laboratories.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require district offices' investigations and laboratory branches to coordinate and schedule the collection of surveillance samples.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require the investigations branch to collect surveillance samples in accordance with the collection schedule developed with the laboratory

branch, unless an emergency should arise.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require laboratory directors to continue to prepare schedules for receipt of surveillance samples tested for other districts and require these districts to follow the prepared schedules, unless agreements on deviations from the schedules are reached with the laboratory.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require laboratory directors to determine an approximate inventory size that will permit the processing of samples within the time-frame guidelines established by FDA.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish a policy that prohibits the dumping of product samples into the laboratory's inventory.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to assess the simplified analytical documentation practices used by various FDA laboratories, including eliminating detailed step-by-step descriptions of the analyses performed on nonviolative samples, and determine their applicability to all FDA laboratories.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to define the uni-

verse of samples that should be covered by abbreviated reporting.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to develop a standardized abbreviated form and implement its use as FDA policy on a laboratory-wide basis.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to change the laboratory management system sample pri-

ority classifications to those used by the laboratories in setting processing priorities to: (1) enable laboratory managers to better schedule the testing of samples; and (2) give laboratory managers greater monitoring capability over laboratory performance.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to evaluate field laboratory performance in meeting the time-frame guidelines.

Status: Action not yet initiated. FDA expects to begin action in November 1986.

Health Care Services

Improving Medicaid Cash Management Will Reduce Federal Interest Costs

HRD-81-94, 05/29/81

Background

GAO reviewed the state systems for recovering Medicaid overpayments to providers and for returning the federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings

GAO found that over \$11 million in Medicaid and other program funds were in non-interest-bearing checking accounts in three states. Because the banks had use of this money, the federal and state governments lost incurred interest of over \$1.3 million. One of the banks involved reported earning

\$512,000 on the Medicaid funds it held for an 11-month period. Some states drew federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the federal share of \$23 million it identified but uncollected overpayments. The time that elapsed between when states made cash collections and when they returned the federal share enabled states to earn substantial amounts of interest on federal funds.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the

Administrator, HCFA, to modify the procedures through which the federal share of recovered Medicaid overpayments are returned to eliminate the long elapsed time between recovery and return of the federal share.

Status: Action in process. Section 9512 of the Consolidated Omnibus Budget Reconciliation Act of 1986 requires that overpayments be recouped in 62 days, regardless if the state has collected the overpayment. HCFA is rewriting the proposed regulations to conform to the law.

Health Care Services

Will There Be Enough Trained Medical Personnel in Case of War?

HRD-81-67, 06/24/81

Background

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries; and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings

An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to

occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System (SSS) planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Open Recommendations to Agencies

The Secretary of Health and Human Services should ascertain the extent to which: (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Status: Action in process. Estimated completion date: 12/86. HHS began implementing this recommendation through its participation in the Emergency Mobilization Preparedness Board (EMPB) and the National Disaster Medical System. It participated in an EMPB task force in assessing the availability of civilian physicians. In July and August 1986, HHS began assessing the availability of PHS uniformed physicians. It hopes to complete this by December 1986.

Health Care Services

State Veterans' Homes—Opportunities To Reduce VA and State Costs and Improve Program Management

HRD-82-7, 10/22/81

Background

State homes provide hospital, nursing home, and domiciliary care to needy, disabled veterans. The Veterans Administration (VA) helps states defray the costs of operating and constructing

state homes through per diem payments and construction grants. GAO reviewed the state home program to find out if: (1) VA was effectively administering the program; (2) if the method used to help states pay for the care provided

should be changed; and (3) the homes were capable of providing quality care.

Findings

Because VA was not properly certifying the levels of care needed by veterans

admitted to state homes, hospital and nursing home per diem rates were paid unnecessarily for many veterans requiring lower levels of care. The improper certifications occurred because VA physicians were not independently verifying the patients' need for the levels of care requested by the homes. Changes in the method of reimbursing states for the care provided to veterans in state homes are not needed. The homes have been able to maintain or expand the services provided to veterans under the current method. Alternatives to increased VA funding exist. State homes could obtain more revenues from veterans receiving VA pensions, and part of the cost of care provided to some veterans could be recovered from Medicare or private health insurance. Because VA has not effectively planned and coordinated the construction or use of VA hospitals, state homes, and contract community nursing homes, VA and state home facilities may be constructed in areas

having too many community or state nursing home beds while not enough beds may be available in other areas. State homes are capable of providing quality nursing home and domiciliary care to their patients, but they have only limited acute hospital care capabilities. VA inspections may not identify deficiencies because inspectors were not evaluating the surgical care provided by state home hospitals and were limiting the scope of their assessments because of a lack of guidance on how to assess compliance.

Open Recommendations to Congress

Congress should consider amending 38 U.S.C. 3203 to extend the pension reduction criteria to cover care being furnished in state homes and to authorize VA to transfer the money withheld

to the states to help pay for the veterans' care.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should revise state home standards to provide specificity and guidance such as that provided in the Joint Commission on Accreditation of Hospitals and Department of Health and Human Services (HHS) standards.

Status: Action in process. Estimated completion date: 12/86. Standards were drafted and approved. Final processing and printing remain to be accomplished.

Health Care Services

Guidance and Information Needed on the Use of Machine Readable Claims Under Medicare and Medicaid

HRD-82-30, 12/16/81

Background

GAO surveyed the: (1) extent that Medicare and Medicaid providers use machine readable claims and billing service companies; and (2) implications of their use on claims processing agent operations such as administrative costs, utilization and quality control reviews, and reimbursement determinations. GAO was also interested in whether there were any potential conflicts of interest between claims processing agents and billing service companies.

Findings

The Health Care Financing Administration (HCFA) needs to

improve controls over machine readable claim systems in use under Medicaid and should obtain information so that it can develop policies for implementing the most effective and efficient systems for processing such claims. HCFA has established controls for the use of machine readable claims in the Medicare program, but not in the Medicaid program. In addition, it has not issued similar guidelines to state Medicaid agencies or assisted them in developing machine readable claims systems. State Medicaid agencies using fiscal agents could experience problems if fiscal agents have ownership interests in billing companies because potential conflicts of interest could arise from the relationship between the fiscal agent processing the

claims and the billing company submitting them. Although there is no HCFA guidance for the Medicaid program on this conflict of interest issue, HCFA has developed a proposed new Medicaid Management Information System which requires states to be able to receive inpatient hospital claim data in the machine readable format required by the Medicare Program. However, the system's requirements will not establish any guidelines for the use of machine readable claims. HCFA needs to gather and analyze data on the benefits of machine readable claims. Limited available data show that machine readable claims offer significant potential savings to the federal government and the states.

Open Recommendations to Agencies

The Administrator, HCFA, should gather and analyze sufficient data on the different types of machine readable claims

systems used by Medicare and Medicaid claims processing agents to determine their relative costs and benefits so that policies encouraging the most effective and efficient systems for Medicare and Medicaid can be developed.

Status: Action in process. Estimated completion date: 03/87. A contract to study this issue has been awarded. A report is expected in the end of 1986.

Health Care Services

Need To Establish Medicaid Standards for Intermediate Care Facilities for the Mentally Retarded

HRD-82-57, 04/16/82

Background

GAO reviewed the growth of small, community-based intermediate care facilities for the mentally retarded (ICF/MR), primarily in New York State.

Findings

In certain circumstances, states can temporarily waive compliance with federal ICF/MR standards and can certify for Medicaid reimbursement facilities which do not meet all of the standards. With few exceptions, ICF/MR having 15 clients or fewer initially certified by New York State had major deficiencies, and more than half still had major deficiencies when recertified. The Health Care Financing Administration (HCFA) is attempting to recover about \$7 million of feder-

al Medicaid funds which it believes were inappropriately provided to those facilities since their initial certification. Medicaid payments for services in an ICF/MR are authorized if the facility's primary purpose is to provide health or rehabilitation services for mentally retarded individuals, the facility meets HCFA standards, and individuals in the facility are receiving active treatment. Regulations allow termination of provider agreements based on recurring deficiencies. However, the regulations do not define when a facility's capacity to give adequate care is seriously limited or provide adequate guidance as to when a state should deny certification because of a lack of active treatment. Appropriate guidelines would ensure that clients receive adequate care, Medicaid funds

are appropriately spent, and regional offices have guidelines to review state programs.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish which standards for ICF/MR cannot be waived and must be met before a state can certify a facility as eligible for Medicaid reimbursement.

Status: Action in process. Proposed revisions to HCFA ICF/MR standards were published in the Federal Register on March 4, 1986.

Health Care Services

Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities

HRD-83-22, 08/16/83

Background

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its

facilities to Indians eligible for these programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

Findings

In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing

all of its facilities into compliance with the standards and, by October 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large, unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1)

IHS is not able to take advantage of the economies afforded by volume billing; and (2) the involvement of multiple IHS organizational levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organiza-

tional levels and increasing automation of the system where justifiable by cost savings.

Status: Action in process. Estimated completion date: 10/87. IHS automated the processing system for Medicare outpatient claims and is developing an automated process for Medicare inpatient and outpatient claims. IHS believes that it is not feasible to automate all Medicaid inpatient claims, but it is working to automate the process in certain high volume states. Implementation of the computerized system will take several more years.

Health Care Services

Hospital Merger Increased Medicare and Medicaid Payments for Capital Costs

HRD-84-10, 12/22/83

Background

Pursuant to a congressional request, GAO investigated the acquisition of the assets of Hospital Affiliates International, Inc. (HAI) by the Hospital Corporation of America (HCA). GAO used the merger as an example of changes in hospital costs under current Health Care Financing Administration (HCFA) Medicare policies for reimbursement of capital expenses after changes in hospital ownership. GAO focused on changes in interest, depreciation, and home office expenses because these costs are most likely to increase as a result of such acquisitions.

Findings

GAO found that capital costs at the acquired hospitals increased by about \$55 million during the first year after the acquisition. This resulted from increased interest and depreciation expenses. These increases were

only partially offset by decreases in home office costs. While HCA believes that management improvements instituted in the acquired hospitals will result in substantial savings, GAO was unable to evaluate the claimed savings because HCA was unable to quantify them. GAO also found that, at the two hospitals evaluated, per-patient-day Medicare and Medicaid costs increased. GAO questioned the procedures HCA used to allocate interest to, and compute depreciation on, the acquired hospitals. GAO found that: (1) HCA allocated debt and related interest to Medicare using a method different from that prescribed by HCFA, resulting in higher capital costs being allocated; (2) HCA discounted the debt assumed from HAI that bore below-market interest rates at the time of acquisition, increasing the amount of interest claimed from Medicare; and (3) HCA assigned inaccurate values to the real assets because of inconsistent appraisal and depreci-

ation practices. GAO also questioned the accuracy and independence of the appraisal because the appraised values were changed at the request of HCA.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to ensure that the intermediaries consider the GAO findings when finalizing the amount of increased costs associated with this acquisition that will be recognized as allowable by Medicare.

Status: Action in process. HCFA is working to resolve the issues raised in the report.

Health Care Services

Inadequate Controls Over Medicare Payments for Once-in-a-Lifetime Physician Procedures

HRD-84-23, 02/13/84

Background

GAO evaluated the controls that Medicare carriers have over payments for once-in-a-lifetime physician procedures. The Health Care Financing Administration (HCFA) promulgates program regulations and defines such procedures as certain types of surgical operations and initial service visits.

Findings

GAO found that there is a fairly widespread lack of compliance with the HCFA requirement to control payments for these physicians procedures. Overpayments at the two carriers reviewed by GAO indicated that

overpayments are probably substantial nationwide.

Open Recommendations to Agencies

The Administrator, HCFA, should develop a core list of codes to be controlled as once-in-a-lifetime procedures while implementing the HCFA Common Procedure Coding System and require carriers to have edits for these procedures.

Status: Action in process. Estimated completion date: 12/86. HCFA is devel-

oping a core list of once-in-a-lifetime procedures.

The Administrator, HCFA, should examine the desirability of requiring carriers to make use of procedures that can only be performed once on a beneficiary a permanent part of beneficiaries' records.

Status: Action in process. Estimated completion date: 12/86. HCFA is still studying the desirability of requiring carriers, as a permanent part of a beneficiary's record, to note the performance of once-in-a-lifetime procedures.

Health Care Services

Medicare Reimbursements for Conventional Eyeglasses

HRD-84-44, 03/07/84

Background

GAO reviewed the administration of Medicare reimbursements for cataract surgeries and prosthetic lenses by seven carriers in seven states.

Findings

In addition to the prosthetic lenses which physicians prescribe to restore useful vision in patients who have aphakia, because the natural lens of the eye is absent or was removed because of a cataract, conventional eyeglasses are usually prescribed for patients to provide refractive correction. Medicare has been paying for cataract eyeglasses or any combination of prosthetic lenses determined to be medically necessary

to restore vision after the removal of the natural lens. However, Medicare does not pay for routine eye care or for conventional eyeglasses for the non-aphakic beneficiary and has specifically excluded conventional eyeglasses from coverage. GAO estimated that the seven Medicare carriers reviewed paid about \$6 million in 1982 for conventional eyeglasses worn by aphakic and pseudophakic beneficiaries. GAO found that the conventional eyeglasses worn by the aphakic or pseudophakic patient perform the same function as eyeglasses worn by the nonaphakic patient. Because coverage of conventional eyeglasses which provide refractive correction is specifically excluded under Medicare, covering such eyeglasses for

aphakic and pseudophakic beneficiaries is inconsistent with Medicare law.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should discontinue Medicare payments for conventional eyeglasses for aphakic and pseudophakic beneficiaries.

Status: Action in process. HCFA is in the process of developing a regulation that would implement this recommendation.

Health Care Services

Expanded Federal Authority Needed To Protect Medicare and Medicaid Patients From Health Practitioners Who Lose Their Licenses

HRD-84-53, 05/01/84

Background

GAO obtained information on health care practitioners in three states who had their licenses revoked or suspended to determine whether they were relocating and continuing to treat patients under the Medicaid and Medicare programs in other states.

Findings

GAO found that, when a state licensing board revokes or suspends a practitioner's license, Medicare and Medicaid are informed that he can no longer legally provide services in that state. However, sanctioning action by one state does not automatically result in sanctioning by other states where the practitioner holds licenses. GAO obtained information on 328 sanctioned practitioners who had their licenses revoked or suspended for a year or more during the period from January 1977

to December 1982. The practitioners were sanctioned for such offenses as drug trafficking, malpractice, alcohol and drug abuse, immoral conduct, private insurance fraud, and submitting false Medicare or Medicaid claims. Of the 328 sanctioned practitioners, 122 held licenses in at least one state other than the state which took action against them; 39 relocated and enrolled in the Medicare and/or Medicaid programs; 10 relocated, but no Medicare or Medicaid participation was identified; and 43 held licenses in other states but could not be located. Under Medicare and Medicaid law, the Department of Health and Human Services (HHS) can exclude practitioners from participation in these programs only for acts committed against the program or its beneficiaries. GAO believes that HHS could better protect Medicaid and Medicare beneficiaries if it had extended authority to exclude unqualified

practitioners from participating in these programs.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the HHS Inspector General to include in the Health Care Program Violation Information System all practitioners sanctioned by state licensing boards.

Status: Action not yet initiated. Both the Senate and House passed a bill which would require HHS to have available the recommended information. Neither bill was enacted. Congressional intent to reintroduce legislation is unknown. The agency is currently considering available options.

Health Care Services

Payment Rates for Ambulatory Surgery Centers Are Higher Than Intended by HCFA

HRD-84-67, 07/12/84

Background

GAO examined the methodology used by the Health Care Financing Administration (HCFA) for establishing the standard overhead amounts to be paid to ambulatory surgery centers (ASC) and compared the cost to Medicare for surgery performed in ambulatory versus inpatient settings.

Findings

The Omnibus Reconciliation Act of 1980 authorized payments under Medicare to ASC to cover their operating costs. The payment amounts, called standard overhead amounts, were to be based on the HCFA estimate of the costs gen-

erally incurred by ASC in furnishing services in connection with ambulatory surgery. Also, the standard overhead amounts were to be set at a level that would ensure that the Medicare costs of services in ASC would be substantially less than the costs of the surgeries if performed on a hospital inpatient basis. GAO found that HCFA set stand-

ard overhead amounts for ambulatory surgery that appear to save Medicare program dollars. However, in computing the standard overhead amounts, HCFA did not adjust charge data by the cost-to-charge ratio as intended. As a result, the standard overhead amounts are 10 percent higher than intended. GAO believes that better data should now be available than the limited information HCFA had when it established ASC payment rates. HCFA should begin the process of reevaluating the rates.

Open Recommendations to Agencies

The Administrator, HCFA, should recompute ASC payment rates to incorporate the cost-to-charge adjustment.

Status: Action in process. Estimated completion date: 07/87. HCFA intends to implement this recommendation at the same time it implements the other recommendation in this report.

The Administrator, HCFA, should obtain more complete and current data on ASC costs and develop payment rates from it.

Status: Action in process. Estimated completion date: 07/87. HCFA developed and distributed a data collection form to gather the needed data. The Omnibus Budget Reconciliation Act of 1986 requires HCFA to update the payment rate for ASC by July 1, 1987, and annually thereafter. Those rates will form part of a cap for payments to hospitals for outpatient surgery.

Health Care Services Opportunities To Reduce Medicare Payments for Prosthetic Lenses While Enhancing Nationwide Uniformity of Benefits

HRD-85-25, 01/10/85

Background

GAO discussed two opportunities for reducing the large number of Medicare payments for prosthetic eye lenses after cataract surgery and for ensuring that beneficiaries are provided with consistent benefits.

Findings

GAO found that some of the Medicare beneficiaries who have cataract surgery later obtain multiple replacement prosthetic lenses. GAO found that, because Medicare regulations do not establish specific limits on the number of replacement lenses for which it will pay, limits among the carriers varied from stringent limits to none at all. GAO also found that physicians were receiving

overly high payments for their services compared to allowed charges for other similar procedures. GAO estimates that improved guidance by the Department of Health and Human Services (HHS) could have resulted in a reduction in Medicare allowed charges of at least \$7.4 million during 1982 in areas served under 7 of the program's 49 claims processing contracts.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to develop and implement guidance to require that carriers establish cost-

based reimbursements for prosthetic lenses and separate reasonable allowances for the professional services related to fitting cataract eyeglasses and contact lenses.

Status: Action in process. HCFA changed the carrier manual by instructing carriers to base the reimbursement of interocular lenses on prevailing charges and consider actual acquisition cost plus a handling fee. The Consolidated Omnibus Reconciliation Act of 1985 directed HCFA to establish separate payment amounts for the components and apply the inherent reasonableness criteria. HCFA is reviewing the regulations.

Health Care Services

Changes Needed in Medicare Payments to Physicians Under the End Stage Renal Disease Program

HRD-85-14, 02/01/85

Background

GAO reviewed a new method of physician reimbursement in the End Stage Renal Disease (ESRD) program which is administered by the Health Care Financing Administration (HCFA). Since August 1983, renal physicians are reimbursed for outpatient care on the basis of a monthly capitation payment and for inpatient care on a fee-for-service basis. GAO evaluated the HCFA methodology for deriving the monthly capitation payment to determine if it accurately reflected the services provided and evaluated whether physician payments were properly determined.

Findings

The HCFA formula for deriving the monthly capitation rate assumed that outpatients receive about 70 percent of the physician services received by inpatients and adjusted the monthly fee accordingly. GAO found that, on the average, outpatients were seen about 25 percent as often as inpatients. Using the GAO percentage in the average monthly payment formula would reduce Medicare allowed charges for physicians' services by about \$11.8 million annually. Furthermore, GAO found that, by using special dialysis procedure codes, ESRD physicians receive higher payments without showing that

the services provided were greater than those provided to other hospital inpatients. However, HCFA and Medicare carriers did not define what services should be provided under the special codes. In addition, GAO estimated that an annual savings of about \$1.3 million could be achieved by reimbursing physicians for hospital dialysis visits on the basis of hospital visit codes rather than special dialysis visit codes. Finally, GAO identified about \$721 thousand in incorrect payments and another \$527 thousand in questionable payments covering periods of up to 3 years. Most of the incorrect payments resulted from administrative complexities involved in the collection procedures for hospitalized ESRD patients who receive maintenance dialysis. GAO believes that the use of a capitation payment system for both inpatients and outpatients would eliminate some of these administrative problems.

Open Recommendations to Agencies

If the recommendation for a total capitation system is not accepted, the Secretary of Health and Human Services should direct the Administrator, HCFA, to either: (1) eliminate the special dialysis visit procedure codes and pay physicians for the

services provided to hospitalized ESRD patients during dialysis on the basis of hospital visit codes; or (2) modify the dialysis visit codes to reflect the nature and scope of physician services provided during dialysis and the amounts other physicians receive for the same or similar services.

Status: Action in process. HHS did not comment on the final report but, in commenting on the draft report, HHS said it generally agreed with this recommendation and would study the best way to implement it. This study is underway.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop and implement a total capitation system to reimburse renal physicians for all routine physician services provided to ESRD beneficiaries. Such a system should be based on the current monthly capitation payment rates adjusted for home patient care and the value of routine hospital visits as discussed in this report.

Status: Action not yet initiated. HHS did not comment on the final report, and its comments on the draft report were noncommittal.

Health Care Services

Medicare's Policies and Prospective Payment Rates for Cardiac Pacemaker Surgeries Need Review and Revision

HRD-85-39, 02/26/85

Background

Pursuant to a congressional request, GAO reviewed the impact on Medicare costs of: (1) pacemaker manufacturers' warranty policies; (2) pacemaker manufacturers' marketing policies; and (3) hospitals' procedures for acquiring and charging for pacemakers. In addition, GAO analyzed the impact of hospitals' and manufacturers' policies on the reasonableness of Medicare's new payment rates under the prospective payment system.

Findings

GAO found that, although pacemaker manufacturers offer discounts ranging from 5 to 40 percent, very few hospitals have obtained discounts because: (1) manufacturers do not advertise discounts; and (2) the cost reimbursement system used by Medicare in 1981, which was used as the base for reimbursement rates under the prospective payment system, did not provide incentive for hospitals to seek discounts. GAO also found that: (1) most hospitals do not enhance their ability to obtain discounts by coordinating pacemaker purchases with their practicing physicians or with affiliated hospitals; (2) it could not obtain enough data to determine whether hospitals generally take advantage of warranty credits for replacement pacemakers; (3) the prospective payment system provides an incentive for hospitals to take advantage of warranty credits; and (4) the data used by the Department of Health and Human Services (HHS) to compute prospective payment rates for pacemaker surgeries contained errors, including the use of unaudited hospital cost reports and classification of pacemaker cases under the wrong diagnostic-related groups (DRG). In addition, GAO stated that HHS may need to: (1)

establish separate DRG's for procedures involving dual chamber pacemakers and guidance for the appropriate use of such pacemakers; and (2) require that all explanted pacemakers be returned to their manufacturers for testing.

Open Recommendations to Agencies

The Secretary of Health and Human Services should require hospitals to return all explanted pacemakers and leads to the manufacturers, require the manufacturers to test all returned pacemakers and leads, and require the manufacturers to report the results of the tests to the hospitals. This would provide the information necessary to determine the extent to which warranty credits are being issued.

Status: Action not yet initiated.

The Secretary of Health and Human Services should use the information obtained through implementation of the recommendation concerning the return to the manufacturer of explanted pacemakers to ensure that Medicare benefits when warranty credits are issued.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA), when updating pacemaker DRG rates, to use data that are as current as possible to reflect the improved efficiency that should result from the incentives toward prudent pacemaker purchasing under Medicare's prospective payment system.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to review the appropriateness of the classification under DRG 117 of procedures that involve replacement of pacemaker systems with those that do not.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to determine the conditions under which the use of dual chamber pacemakers is medically warranted.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to determine if the increased use of dual chamber pacemakers, to the extent justified by medical necessity, warrants establishing separate DRG's for them.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to review the situations resulting in the replacement of pacemakers that are still functioning within specifications to determine if unnecessary replacements occur and, if so, take action to minimize unnecessary replacements.

Status: Action not yet initiated.

Health Care Services
Medicaid Overpayments Made to Hawaii Should Be Disallowed

 HRD-85-47, 03/20/85

Background

GAO reviewed Hawaii Medicaid operations to determine if federal Medicaid funds were properly used as a secondary resource to pay for medical costs that resulted from motor vehicle accidents.

Findings

GAO found that: (1) Hawaii did not always follow federal statutory requirements to use other insurance available to Medicaid recipients before Medicaid; (2) under its no-fault motor vehicle insurance law, Hawaii allowed insurers to exclude medical coverage for

Medicaid recipients who in certain circumstances were injured while driving their vehicles; and (3) when the coverage for Medicaid recipients was not excluded, Hawaii was not actively pursuing collections from the no-fault insurers. GAO estimated that, during the fiscal years 1982 to 1984, Hawaii paid about \$1.4 million in federal funds for health services that it would not have paid if it had followed Medicaid's third-party liability provisions.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA)

should recoup the federal portion of Medicaid payments for which Hawaii did not treat Medicaid as secondary payer and disallow future Medicaid claims of this nature.

Status: Action in process. HCFA notified Hawaii that its no-fault insurance statute does not comply with the law and has requested a corrective action plan. Additionally, HCFA plans to disallow future Medicaid federal financial participation to the extent the situation is not corrected, if this action is approved by its General Counsel.

Health Care Services
Payment for Inpatient Alcoholism Detoxification and Rehabilitation Services Under Medicare Needs Attention

 HRD-85-60, 04/29/85

Background

Under Medicare's prospective payment system (PPS), hospitals are paid on the basis of patient illness and receive predetermined rates for treating patients with the same diagnosis which are combined into diagnosis related groups (DRG). GAO evaluated hospitals' compliance with Medicare guidelines for inpatient treatment of alcohol abuse and examined the effects of PPS rates on the delivery and payment of alcoholism treatment services.

Findings

GAO found that PPS rates do not accurately reflect the cost of alcoholism care for most individual cases because the rates do not typify actual treatments. As a result, the payment rates may overpay hospitals for one treatment and underpay for other treatments giving hospitals economic incentives to provide the overpaid treatments and disincentives to provide the underpaid treatments, regardless of the need. The Health Care Financing Administration (HCFA), in its efforts to obtain better data to develop prospective rates

for alcoholism treatments, has made no provisions to check the accuracy of hospitals' reports concerning whether treatments included detoxification services, rehabilitation services, or both. GAO also found that Medicare provides guidelines that limit coverage for alcohol-related services, but that Peer Review Program (PRO) intermediaries have not adequately enforced the guidelines resulting in questionable payments for alcoholism care. PRO intermediaries may improve alcoholism claims review efforts but many PRO contracts do not contain assurances that all aspects of Medicare's guidelines will be applied in the reviews.

Open Recommendations to Agencies

The Administrator, HCFA, should refine the study of alcoholism treatment DRG by: (1) verifying, on a sample basis, the data submitted by hospitals; and (2) identifying and accounting for all types of treatments, including

detoxification, rehabilitation, combination, and recap or reinforcement treatments.

Status: Action in process. Estimated completion date: 10/87. HCFA revised the alcoholism DRG in line with this recommendation in the September 3, 1985, modifications to PPS. On June 3,

1986, HCFA continued, until fiscal year (FY) 1988, the exemption of alcoholism treatment hospitals and hospital units and said that it would refine the data for setting the prospective payment rates for alcoholism DRG during this period.

Health Care Services

Procedures for Avoiding Excessive Rental Payments for Durable Medical Equipment Under Medicare Should Be Modified

HRD-85-35, 07/30/85

Background

Pursuant to a congressional request, GAO evaluated the probable effects of implementing certain Department of Health and Human Services (HHS) procedures for avoiding excess rental payments on durable medical equipment under Medicare. HHS prepared instructions which stated that Medicare would pay for all low-priced medical equipment on a purchase basis and high-priced equipment on a purchase basis if the expected duration of need showed that purchase was less costly than rental. However, the effects of the instructions were uncertain because of two conflicting studies on the implementation of the procedures.

Findings

GAO found that the primary difference between the studies was in the length of time that a beneficiary rented a piece of equipment. Under the current instructions, if all low-cost items were reimbursed on a purchase basis, there would be a reduction of 21 percent in the allowable costs, compared with the 15-percent increase in costs reported in the HHS grantee study. GAO also found that HHS could increase its savings if it allowed beneficiaries 1 month's rent before limiting reimbursement to the purchase price. Although excess rentals were a large portion of the total allowed charges for high-cost equipment, there

were insufficient data to reliably predict when purchasing would be less costly than renting. GAO generally agreed with the grantee's conclusion that the probability of savings from implementation of the existing instructions for high-cost items would be uncertain. Because GAO believed that the problem needed more attention, it simulated the potential savings of several alternative solutions that did not require the use of medical necessity forms to reduce the excess charges and found that the best approach would be to put a cap on the amount of equipment rental payments; however, the disadvantage to this approach would be that medical suppliers would have to agree to accept whatever percentage was adopted. Presently, Medicare does not require that suppliers accept Medicare payments rates and, without an amendment to the law, suppliers could charge beneficiaries for any difference between the cap and the total rental charges as long as it was needed.

Open Recommendations to Congress

The Senate Committee on Finance should consider whether a legislative change is warranted that would limit rental allowances for high-cost durable medical equipment items to a specific percentage in excess of the purchase

price. Such a change would provide that Medicare rental payments for high-cost durable medical equipment may be made only on the basis of an assignment where the supplier agrees to accept the Medicare allowances and related limitations.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to modify the December 1984 instructions dealing with the reimbursement of low-cost durable medical equipment items on a purchase basis to provide for a 1-month waiting period and that such modified instructions be implemented.

Status: Recommendation valid/action not intended. In its comments on the report, HHS gave the same reasons for disagreeing with this recommendation as it gave in commenting on the draft report. GAO disagrees with the HHS position. HHS stated that it is studying rental/purchase patterns to see if savings can be obtained.

Health Care Services

Additional Changes to the Medicare Reimbursement Rates for Major Joint Procedures Are Needed

HRD-85-109, 09/12/85

Background

GAO reviewed the increase in the Medicare payment rate for bilateral or multiple joint replacement procedures in light of the resources used by the providers program costs.

Findings

GAO found that: (1) the payment rate for bilateral or multiple joint replacements was inadequate; (2) multiple replacements required more hospital resources than single replacements; (3) charges for these procedures exceeded payments by an average of \$12,600; (4) performing multiple replacements under separate hospitalizations could

unnecessarily increase the costs of the Medicare program; and (5) 18 percent of all revision surgeries performed in 1984 were paid for at a lower rate. GAO also found that: (1) all major joint revision surgeries should be included under diagnosis-related group (DRG) 209 where each diagnosis requires about the same amount of resources to treat; (2) all hip repair procedures should be included in DRG 210 and 211 because they are similar in resource requirements and clinical perspective; (3) the higher-cost revisions currently included in DRG 442 and 443 helped raise the overall Medicare payment rate and provided inadequate reimbursement for this surgery; and (4) the inequity in the payment rate for multiple replacements, if uncorrected, could

adversely affect Medicare beneficiaries and the Medicare program.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should include all revisions of prior joint replacements under DRG 209.

Status: Action taken not fully responsive. HCFA stated that the recommended change might provide a remedy for surgical procedures. It would offset other DRG and, therefore, would require substantial study. Such a study has not been undertaken.

Health Care Services

Nondisclosure of Ownership Information by Health Plans

HRD-86-10, 11/22/85

Background

In response to a congressional request, GAO reported on compliance with federal requirements for ownership information disclosure by prepaid health plans participating in the Arizona Health Care Cost Containment System (AHCCCS). AHCCCS is a Medicaid demonstration project set up to develop and test health care cost control innovations.

Findings

GAO found that many AHCCCS health plans have not complied with feder-

al disclosure requirements intended to determine the appropriateness of ownership and control arrangements and related-party transactions, raising questions about: (1) the availability of federal funding for health plan operations during the periods of noncompliance; and (2) continued federal participation in AHCCCS health plans that have not complied. GAO also found that AHCCCS and the Health Care Financing Administration (HCFA) have not ensured compliance with the disclosure requirements before awarding and renewing contracts. Of the 19 health plans awarded contracts in the second

year: (1) 3 did not disclose direct or indirect ownership; (2) 1 did not disclose officers or directors; and (3) 18 had their contracts renewed for a third year without assurance of compliance with disclosure requirements. GAO found that: (1) related-party transactions can enable health plans to divert program funds from their intended purpose to pay for unnecessary administrative costs or excessive profits; (2) none of the 15 plans required to submit disclosure statements on related-party transactions for the first year submitted them on time and only 4 submitted any at all; (3) 7 of the 18 plans required to

submit statements for second-year operations failed to do so, and 8 that did submit them were late; and (4) federal financial participation was not denied in cases where health plans did not promptly disclose these transactions.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Administrator, HCFA, to review AHCCCS plan contract proposals and renewal submissions to determine whether health plans complied with the ownership and control disclosure requirements and the extent to which federal financial participation should be recouped for payments made to AHCCCS health plans that did not comply.

Status: Action taken not fully responsive. HCFA plans to act on this recommendation only if the Arizona Attorney General finds that the non-compliance was with the intent to defraud.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to obtain from each health plan, that did not provide full and complete disclosure of related-party transactions on time, an explanation of the reasons for nondisclosure and, based on an evaluation of those reasons, determine the extent to which federal financial participation should be recouped for periods of nondisclosure.

Status: Action taken not fully responsive. HCFA plans to act on this recommendation only if the Arizona Attorney General finds that the non-compliance was with the intent to defraud.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to direct AHCCCS to review reported related-party transactions to ensure that they do not divert capitation payments from health care.

Status: Recommendation valid/action not intended. HCFA does not plan to retrospectively review the appropriateness of related party transactions.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish procedures to ensure that HCFA does not approve future Medicaid contracts that are lacking required disclosure of ownership and control arrangements.

Status: Action not yet initiated. HHS has taken action to ensure future proposals from state Medicaid agencies to utilize pre-paid contractors will be reviewed to ensure that safeguards are in place prior to approval.

Health Care Services

Medicare: Past Overuse of Intensive Care Services Inflates Hospital Payments

HRD-86-25, 03/07/86

Background

GAO analyzed the changes in intensive care units (ICU) since the implementation of the prospective payment system (PPS) in order to: (1) estimate the extent to which, prior to PPS, Medicare patients received ICU services when less costly routine care would have been a feasible option; (2) determine whether hospital practices regarding the use of ICU services changed after PPS; and (3) ensure that changes in such utilization are reflected in Medicare payment rates.

Findings

GAO found that 23 percent of the Medicare ICU patients reviewed were at low risk of needing a treatment provided in an ICU and did not receive such treatment during their ICU stay. In 21 diagnosis-related groups, an average 1.1 percent of costs of care reflected the extra expense of treating low-risk patients in ICU, or an increase of about \$3.2 million in the Medicare cost base. GAO noted that situations affecting medical practices that contributed to avoidable ICU admission

and changing hospital practices and attitudes indicated that PPS was meeting a major objective of encouraging hospitals to operate more efficiently. Hospital officials attributed improvements to physician awareness and the fact that they were responding to anticipated pressures for improved efficiency under PPS. Medicare requires that PPS rates reflect the costs necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality; however, the data used to set the rates included the costs of unnecessary services. The costs, there-

fore, of providing appropriate medical services economically and efficiently are overstated. As long as the data base remains inflated, Medicare's PPS rates will remain high.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should revise prospec-

tive payment rates to base them on 1984 or later cost data, which reflect hospital behavior under PPS.

Status: Action not yet initiated. HHS has not commented on the report.

Health Care Services

Medicare: Existing Contract Authority Can Provide for Effective Program Administration

HRD-86-48, 04/22/86

Background

GAO evaluated the Health Care Financing Administration's (HCFA) management of Medicare claims processing under noncompetitive cost reimbursement contracts and eight competitively bid fixed-price contracts to determine whether: (1) the advantages of fixed-price competition justify broader use of this method of contracting; and (2) the Department of Health and Human Services' (HHS) current authority is sufficient to achieve increased administrative efficiency without a change in contracting methods.

Findings

HHS was given legislative authority to experiment with fixed-price or incentive arrangements with contractors as a way of potentially reducing costs and improving program administration. The Deficit Reduction Act (DEFRA) gave HHS additional authority to use competition on a limited basis to remove poorly performing contractors from the program. GAO found that: (1) the competitive contracts have not demonstrated any clear advantage over cost contracts; (2) HHS has been successful in controlling administrative costs using cost contracts; (3) regular competition would probably increase contractor turnover and the problems associated with changing contractors, such as disrupted services and slower payments; and (4) competitive con-

tracting requires more HHS management resources. However, GAO believes that limited use of competitive contracting would be useful since it stimulates some cost contractors to improve performance and reduce costs. In 1985, because of budgetary shortfalls, HHS abandoned the traditional budget negotiation process and reduced the funds given to each contractor to carry out its claims processing functions. The cuts: (1) were made without consideration of individual contractor circumstances since even the most cost-efficient contractors were required to reduce costs; (2) left inadequate funds to implement additional legislative requirements or process claims; and (3) were inconsistent with the congressional intent that cost-cutting measures not adversely affect program payments and the quality of service.

Open Recommendations to Congress

DEFRA authority, allowing HHS to use a limited number of fixed-price competitions annually to remove poorly performing contractors, expires at the end of fiscal year 1986. Congress should consider extending this authority or making it permanent.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to use a Medicare contractor budget development process that places more emphasis on the individual circumstances of contractors than the formula-based cost caps. The process should consider the input of the Medicare contractors in order to more realistically determine the funds needed to sufficiently support program safeguards and ensure an adequate level of beneficiary and provider service activities.

Status: Recommendation valid/action not intended. HHS disagreed with this recommendation and plans to take no action.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to increase contractor incentives for saving program benefit dollars above the minimum performance standards during future revisions of the Contractor Performance Evaluation Program.

Status: Action in process. In commenting on the report, HHS agreed with this recommendation and indicated that action would be taken.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to use existing legislative authorities to remove con-

sistently poorly performing contractors from the Medicare program.

Status: Action in process. In commenting on the report, HHS agreed

with this recommendation and indicated that action would be taken.

Health Care Services

Medicaid: Methods for Setting Nursing Home Rates Should Be Improved

HRD-86-26, 05/09/86

Background

GAO reviewed seven states' prospective payment systems, which provide nursing homes with incentives to reduce costs without adversely affecting the quality of health care, to identify weaknesses in each phase of the ratesetting process.

Findings

GAO found that: (1) allowable base costs were too high because the seven states did not always establish specific written criteria limiting allowable costs; (2) states did not perform adequate studies to ensure that subgroups reflected legitimate differences in the costs of operating nursing homes; (3) inflation indices did not accurately measure inflation within the nursing home industry; and (4) states did not perform studies to ensure that established cost ceilings would maximize nursing homes' incentives to contain costs without jeopardizing quality care. GAO also found that: (1) the Department of Health and Human Services (HHS) did not publish regulations implementing the Deficit Reduction Act, which enables the Health Care Financing Administration (HCFA) and the states to better control cost increases resulting from the sale of a nursing home; and (2) although HHS regulations require states to submit assurances that their Medicaid reimbursement rates are reasonable and

adequate, HCFA has not established adequate guidelines to review the basis for state assurances.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish guidelines to be used by states in making assurances that their nursing home reimbursement rates are reasonable and adequate. The guidelines should, at a minimum, provide that states make assurances that they have: (1) established specific criteria defining allowable costs for luxury items; (2) used the results of audited cost reports to compute reimbursement rates; (3) used inflation indices that reasonably reflect increased costs in the nursing home industry; (4) performed studies to ensure that the subgroupings used resulted in reasonable and adequate reimbursement for all nursing homes within the group and that the ceilings set on reimbursement rates were appropriate; (5) performed studies to demonstrate an actual shortage of nursing home beds; and (6) established limits on the effects of sales and leases on property costs.

Status: Action not yet initiated. HCFA believes that existing guidelines reflect congressional intent; however,

it will consider additional steps needed in monitoring and oversight of nursing home payments.

The Secretary of Health and Human Services should publish regulations to implement the provisions of the Deficit Reduction Act of 1984 relating to the effects of nursing home sales on allowable property costs and provide technical assistance to the states in developing or revising prospective payment systems.

Status: Action in process. HHS anticipates publication of a Notice of Proposed Rulemaking before the end of 1986.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to provide technical assistance to the states in developing prospective payment systems.

Status: Action taken not fully responsive. HCFA believes that it is responsive to state requests for technical assistance and intends to provide assistance when requested. GAO intended a more pro-active HCFA role in fundamental, technical decisions states must make in designing and revising prospective payment systems.

Health Care Services
Post-Hospital Care: Efforts To Evaluate Medicare Prospective Payment Effects Are Insufficient

PEMD-86-10, 06/02/86

Background

In response to a congressional request, GAO: (1) examined the Health Care Financing Administration's (HCFA) methods for evaluating the Medicare Prospective Payment System's (PPS) effect on post-hospital services; and (2) developed a plan to determine these effects.

Findings

GAO found that: (1) the studies the Department of Health and Human Services (HHS) is conducting on PPS will produce limited information on changes in the use of and expenditures for Medicare-covered post-hospital services; and (2) HHS has no plans to develop information on whether the changes it measures are due to PPS and what effects PPS had on Medicare beneficiaries and post-hospital services. GAO developed a two-part plan for

evaluating the effects of the system on post-hospital care which would use time series analysis and data compiled before and after PPS implementation.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator, HCFA, to undertake interrupted time-series studies using data available from the Medicare Statistical System to determine some of the effects of PPS on post-hospital care. In particular, information can and should be developed about its effects on the use of and expenditures for post-hospital skilled nursing home and home health care services, and on readmissions to Medicare-covered facilities and mortality rates for episodes of illness beginning with a hospitalization.

Status: Action in process. Actions include contracting with consultants to perform time series analyses. Specifications and estimated completion dates have not been reported to GAO.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to expedite the completion of the Medicare Automated Data Retrieval System that will reorganize the Medicare administrative data into a data file which is better able to support research and evaluation activities than are the current files.

Status: Action not yet initiated. HCFA intentions regarding this recommendation have not been reported to GAO.

Health Care Services
Issues Raised by Florida Health Maintenance Organization Demonstrations

HRD-86-97, 07/16/86

Background

GAO reviewed Medicare's health maintenance organization (HMO) program to determine: (1) the adequacy of financial and quality-of-care safeguards for Medicare beneficiaries; (2) the reasonableness of Medicare payments to HMO's; and (3) the effectiveness of Department of Health and Human Services (HHS) oversight.

Findings

GAO determined that: (1) in network-type HMO's, the beneficiary protections concerning HMO financial solvency and enrollment, were substantially limited since they delivered many services through subcontractors; (2) although the subcontractors assumed most HMO financial risk, the legislative safeguards did not apply to them and they had

received little federal or state oversight; and (3) Medicare's payments to HMO's were too high because the program did not adjust rates for enrollees' health status. GAO found that: (1) HMO enrollees were healthier than the average beneficiary, as measured by mortality rates; (2) HMO enrollees generally would need less medical care and cost the HMO's less overall; and (3) the HMO program is unlikely to

achieve the intended Medicare saving. GAO also found that none of the Florida HMO's were fully complying with federal requirements to inform Medicare enrollees of their rights to grieve and appeal denied claims or services.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to ensure that International Medical Centers, Inc. (IMC) is making reasonable progress in meeting the 50-50 composition-of-enrollment standard or take enforcement action if IMC is not making such progress.

Status: Action in process. In June 1986, HHS told IMC of the additional actions it needed to take to meet the 50-50 standard. IMC voluntarily agreed to freeze Medicare enrollment until 1987.

The Secretary of Health and Human Services should issue regulations specifying standards for financial solvency and enrollment that HMO must require of those subcontractors, such as IMC-affiliated providers, that bear substantial risk, particularly for services provided by others. At a minimum, the Secretary of Health and Human Services should require that an HMO contract with such risk-bearing affiliates provide HMO's with annual audited financial statements for their use in managing the affiliates and assessing their own financial condition. Furthermore, these data should be made available to HHS upon its request for use in making qualification and compliance determinations related to the financial status of HMO's and their affiliates.

Status: Action not yet initiated. In commenting on the draft report, HHS did not take a clear position on this recommendation. Comments on the final report have not been received.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to reduce HMO payment rates to more accurately account for the health status of HMO enrollees, because the methodology used by HCFA to pay risk-based HMO's currently overpays them on average.

Status: Action not yet initiated. In commenting on the draft report, HHS disagreed with this recommendation. Comments on the final report have not been received.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to consider the feasibility of reducing the adjusted average per capita cost administrative cost-loading factor to account for paying agents' continued involvement in processing HMO enrollee claims.

Status: Action not yet initiated. In commenting on the draft report, HHS disagreed with this recommendation. Comments on the final report have not been received.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to test Florida HMO internal controls over claims transferred to them by the intermediaries and carriers. This could be accomplished by HCFA taking a sample of paid part A bills and denied part B claims recently transferred from its paying agents and verifying that they have been accounted for and appropriately acted upon by HMO's. Alternatively, the problem could be addressed by requiring the paying agents to obtain receipts for the documents transferred.

Status: Action in process. HHS is working on developing a standard protocol to be used to monitor HMO procedures and activities regarding claims transferred to it.

The Secretary of Health and Human Services should direct the

Administrator, HCFA, to develop a standardized explanation of the Medicare appeals process and provide it to HMO's for inclusion in their handbooks or other documents provided to all Medicare enrollees.

Status: Action in process. HHS is developing guidelines for HMO's to use to improve beneficiary notification of appeal rights.

The Secretary of Health and Human Services should require the Administrator, HCFA, to provide policy guidance to the Tax Equity and Fiscal Responsibility Act HMO's on marketing activities similar to the guidance furnished to the demonstration HMO's in February 1984.

Status: Action not yet initiated. In commenting on the draft report, HHS did not take a clear position on this recommendation.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop an HMO timeliness-of-payment standard either through regulations or by including it as a standard item in all Medicare HMO contracts.

Status: Action in process. HHS is developing timeliness standards for inclusion in HMO contracts.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to collect from the HMO payments due for administrative costs under the option B agreements because the intermediaries processed the claims.

Status: Action in process. HHS is developing a methodology for implementing this recommendation.

The Secretary of Health and Human Services should direct the Administrator, HCFA, to give HMO guidelines establishing standards they must use in providing information on

their internal grievance procedures to all enrollees.

Status: Action in process. HHS is developing guidelines for use by HMO's

regarding notification to beneficiaries of their grievance rights.

Health Care Services

Alternatives for Paying Hospital Capital Costs

HRD-86-93, 08/11/86

Background

In response to a congressional request, GAO reported on the Department of Health and Human Services' (HHS) methods for including capital costs related to inpatient services in Medicare's prospective payment system or for modifying the current cost-reimbursement system, specifically: (1) the general principles involved with prospective payment of capital costs; (2) the effects of various types of proposals on hospitals; and (3) alternatives that might lessen any potential adverse effects.

Findings

GAO found that Medicare's capital cost-reimbursement method provides several incentives that could result in increased program costs. The cost-reimbursement method provides incentives to: (1) substitute capital for labor; (2) borrow to acquire assets, rather than using equity sources; (3) acquire new equipment even though it may be only marginally needed; and (4) refinance

debt. Cost reimbursement: (1) would increase incentives for efficiency, since it implies regulation; and (2) guarantees that Medicare will pay its share of each hospital's capital costs for providing care to beneficiaries, thus ensuring that beneficiaries have access to quality health care. However, GAO found that prospective payment of capital costs would reduce or eliminate the incentives under cost reimbursement, thereby decreasing Medicare costs. Advantages to the prospective program are that it would: (1) treat labor and capital equally; (2) encourage the most economical mix of debt and equity; and (3) encourage reductions of current hospital excess capacity and proper future sizing. Under the prospective payment program: (1) efficient hospitals would be rewarded more than the less efficient hospitals; (2) hospitals would receive less than their actual costs during the first years of an asset's useful life and more than their actual costs in later years; and (3) some hospitals would receive higher payments, depending on their average costs and occupancy rates. Since the system has not been tested, the long-term effect on hospitals' ability to raise capital improvement funds cannot be predicted.

Open Recommendations to Congress

To lessen the immediate effects of prospective capital payment on hospitals, the House Ways and Means Committee's Health Subcommittee may wish to consider alternatives to the HHS proposal, including: (1) using a long transition period to full prospective capital payment to lessen the immediate effect on individual hospitals, identify emerging problems, and make adjustments if necessary; (2) initially covering only movable equipment under a prospective capital payment system, which also would lessen the effect on individual hospitals, permit HHS to gain experience with prospective capital payments, and provide information to be used in deciding whether to move to a total prospective payment system for capital costs; and (3) making changes to the current cost-reimbursement system to give hospitals greater incentives for efficiency similar to those of prospective capital payment. These changes could be targeted at perceived capital payment problems and therefore affect fewer hospitals.

Status: Action in process.

Health Care Services

Defense Health Programs: Savings Available by Using Two Medicare Cost-Containment Techniques

HRD-86-115, 08/25/86

Background

GAO reviewed the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) to determine whether it could better contain costs for professional services if it adopted two cost-containment techniques used in the Medicare program, including: (1) a fee schedule for outpatient laboratory services; and (2) an economic index for physician services.

Findings

GAO analyzed five states' payment records and found that the maximum allowable charges under CHAMPUS were 80 percent of the customary charges, while Medicare allows only

75 percent. If CHAMPUS used: (1) the Medicare fee schedule, it would reduce its laboratory services costs and its intermediaries would not have to maintain allowable-charge data for most laboratory services; and (2) the Medicare economic index for physician services, it would limit increases in allowable charges to those resulting from changes in physician operating costs and general wage changes. However, the impact of these alternative reimbursement techniques on CHAMPUS beneficiary costs will depend on providers' willingness to accept the CHAMPUS allowable charges as payment-in-full. If providers do not accept the CHAMPUS allowable charges, beneficiaries will be responsible for the difference.

Open Recommendations to Agencies

The Assistant Secretary of Defense (Health Affairs) should take the necessary action to adopt: (1) the Medicare laboratory fee schedule and associated reimbursement practices as the basis for reimbursing providers for laboratory services under CHAMPUS; and (2) the Medicare economic index method of limiting increases in allowed charges for physician services.

Status: Action not yet initiated. The recommendations are under consideration within DOD.

Health Care Services

Reviews of Quality of Care at Participating Hospitals

HRD-86-139, 09/15/86

Background

GAO reported on the quality of medical care provided to in-hospital Medicare beneficiaries, specifically the Health Care Financing Administration's (HCFA) increased requirements for utilization and quality control peer review organizations (PRO) to monitor the quality of care provided.

Findings

GAO reviewed PRO in California, Florida, and Georgia. Although HCFA

expanded its requirements for the second contract period for PRO to monitor the quality of care provided Medicare beneficiaries, GAO found that PRO failed to: (1) compile and analyze the data on beneficiaries' substandard care during the first contract period to identify providers with recurring quality problems that might need further review; or (2) monitor whether hospitals were allowing patients to remain in the hospital while awaiting placement in a nursing home.

Open Recommendations to Agencies

The Administrator, HCFA, should require PRO to include quality-of-care review data available from the 1984 through 1986 contract period in their profiling of hospitals and physicians.

Status: Action not yet initiated. HCFA has not commented on the report.

The Administrator, HCFA, should require PRO to, as part of their

discharge reviews, include an assessment of the appropriateness of discharge destinations to better ensure that patients needing skilled nursing care are allowed to remain in the hos-

pital while awaiting placement in a nursing home.

HCFA has not commented on the report.

Status: Action not yet initiated.

Health Care Services

States Assume Leadership Role in Providing Emergency Medical Services

HRD-86-132, 09/30/86

Background

In response to a congressional request, GAO reviewed the status of emergency medical services programs in the United States, specifically: (1) the effect of the transition from federal to state leadership under the Preventive Health and Health Services block grant on local emergency medical services; and (2) the significant issues and barriers affecting the appropriate and timely delivery of local emergency medical services.

Findings

GAO reviewed six states' practices and found that: (1) states have taken more control of financing and regulating the local delivery of emergency medical services; (2) states have increased funding for emergency medical services by 28 percent since 1983; (3) states could better coordinate their federal highway

safety funds with their overall emergency medical services strategies; (4) more than 50 percent of the nation does not have access to the emergency telephone number 911 because of high installation and operating costs and local ambulance services' reluctance to join an areawide telephone receiving system, resulting in a less timely delivery of emergency services; (5) many rural areas lack advanced life support ambulance services; (6) many states do not have specialized trauma centers; and (7) because trauma centers treat a disproportionate share of severe cases, the averaging aspect of payment under Medicare's diagnosis-related groups (DRG) method may not adequately compensate them. GAO believes Congress should: (1) promote broader 911 coverage by implementing a federal loan program to finance 911 start-up costs and by permitting existing loan funds to be used by local governments for 911 implementation; and (2) permit local areas to replace outmoded communications equipment using block grant funds.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Health Care Financing Administration (HCFA), as part of its continuing assessment of DRG, to determine whether they have an adverse financial impact on trauma centers. The results of this analysis should be considered along with other factors in assessing the need for a change in the trauma-related DRG payment rates. The Secretary should also direct HCFA to determine whether Medicaid reimbursement rates set by the states have an adverse financial effect on trauma centers as part of its review of each state's reimbursement criteria and methods.

Status: Action not yet initiated. The agency is still reviewing this recommendation.

Health Planning and Construction

DOD Needs Better Assessment of Military Hospitals' Capabilities To Care for Wartime Casualties

HRD-81-56, 05/19/81

Background

GAO reviewed the Department of Defense's (DOD) efforts to provide medical facilities for American casualties who would be returned to the United States for medical care in the event of a war in an overseas area.

Findings

The latitude provided in DOD guidance on the wartime use of military hospitals in the continental United States (CONUS) permits significant differences in the way the military services determine the extent of care that could be provided in their facilities if a war began. Under DOD guidance, the services have adopted different: (1) transition plans for converting individual hospitals to handle wartime casualties; (2) methods for identifying capacity of individual hospital facilities to expand the care for wartime work load; (3) stockpiling policies for medical

materials to meet mobilization expansion requirements; (4) types of buildings as wartime assets to augment hospital capacity; and (5) policies for retention of closed hospitals as future mobilization facilities. As a result of these differences, DOD does not have an accurate assessment of the medical mobilization capacity of CONUS military facilities. Recently, DOD has given little consideration to mobilization in configuring new hospitals, and its construction planning has been directed primarily to meeting design requirements for peacetime operations. Economic feasibility studies performed by the services before undertaking hospital construction projects have been used primarily to select the most cost-effective means of meeting peacetime military medical care needs. Design concept studies performed to determine configuration of new hospitals before construction are oriented to meeting peacetime performance requirements.

Open Recommendations to Agencies

The Secretary of Defense should provide guidance to the military services by identifying adjustments in normal hospital operation procedures for nursing units and central surgical and medical support areas necessary to accommodate emergency expansion and compressed bed spacing during mobilization.

Status: Action in process. Estimated completion date: 12/86. DOD recognized that it did not have adequate instructions for the services to follow in developing mobilization plans. DOD issued a directive on mobilization planning in April 1986, and plans to issue instructions on medical facility planning.

Health Planning and Construction

VA Health Care: Too Many Operating Rooms Being Planned and Built

HRD-86-78, 04/29/86

Background

GAO examined the Veterans Administration's (VA) method for determining operating room requirements in new and replacement hospitals and identified the differences between VA-stated operating room needs and the requirements a GAO surgical work load model identified.

Findings

GAO found that VA is developing an operating room planning model at its Ann Arbor Medical Center which would permit planners to: (1) use independently established utilization rates for each facility instead of a more efficient agency-wide preestablished rate to plan operating room resources and staff; and

(2) develop work load projections to reflect possible changes in planning factors without central office guidance to ensure that projections are consistent, realistic, and in line with current or planned policy. GAO applied its model for determining VA operating room requirements to 24 construction projects and found that VA: (1) is building or plans to build 29 unnecessary operating rooms; (2) could have

saved about \$5.8 million by applying the GAO model; and (3) could still save about \$3.4 million by eliminating 17 unnecessary planned operating rooms.

The Administrator of Veterans Affairs should direct the Chief Medical Director to give planners guidance on how to adjust work load projections to reflect changes in the model's planning factors and monitor VA planners' calculations of projected work loads to ensure that adjustments are consistent within the guidance.

ment operating rooms until the Ann Arbor model is implemented.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to instruct Ann Arbor project officials to develop a final model that will use a preestablished 80-percent utilization rate for determining the number of operating rooms.

Status: Action not yet initiated. VA concurred with this recommendation and stated that appropriate changes to its criteria will be made based upon the final results of the planning model developed by the Ann Arbor project.

Status: Recommendation valid/action not intended. VA believes that the GAO model is outdated because it was developed, to a large degree, based on 1981 data. VA further believes that it would be better to implement a planning model which is based on current cost and work load variables.

Status: Recommendation valid/action not intended. VA does not believe that all facilities should be expected to have the same utilization rate. VA believes that it is necessary to consider variable factors in determining utilization rates.

The Administrator of Veterans Affairs should direct the Chief Medical Director to stop using the current VA operating room planning criterion and use the GAO methodology to determine the required numbers of new or replace-

The Administrator of Veterans Affairs should direct the Chief Medical Director to reassess all existing construction projects to eliminate, where cost-effective, unnecessary operating rooms.

Status: Action not yet initiated. VA agreed with this recommendation and stated that all construction projects in the planning stage should be reassessed based on the new model.

Health Research

Improvements Needed in Clinical Testing of Anticancer Drugs

HRD-83-52, 09/26/83

Background

In response to a congressional request, GAO reviewed the clinical testing of anticancer drugs and the regulation of that testing by the Food and Drug Administration (FDA) to determine: (1) how well, during its review of new anticancer drug applications, FDA discharges its responsibility to protect human test subjects; (2) the manner in which drug sponsors and institutional review boards carry out their responsibilities; and (3) whether there is therapeutic intent during testing of anticancer drugs.

patients involved in clinical testing of anticancer drugs are protected. These improvements include: (1) more monitoring of investigators who perform the clinical studies for the sponsors; (2) improved reporting of adverse drug reactions (ADR); and (3) increased controls over investigational new drug (IND) supplies. However, GAO believes that additional actions are needed. Delays by FDA reviewers in completing written reports on deficiencies resulted in FDA sending deficiency letters to sponsors 2 to 5 months after an application was received. GAO found instances where FDA was notified that its recommendations were not implemented because of a lack of a reporting system. Also, sponsors do not always submit amendments to FDA for review and, when they are submitted, FDA

frequently does not review them or does not review them in a timely manner. GAO found 12 protocols involving five drugs that had not been submitted to FDA for review. FDA regulations are not specific regarding: (1) the definition of ADR; and (2) the time frames during which these reactions should be reported to FDA. In addition, it is difficult to determine in many instances whether a change in a patient's condition was caused by IND or by some other factor. Finally, GAO found that NCI does not require monitoring visits, but plans to expand the number of investigators visited.

Findings

GAO found that FDA and the National Cancer Institute (NCI) have made some improvements to better ensure that

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should require the

Commissioner, FDA, to give sponsors and clinical investigators more precise guidance as to what types of reactions they should report as ADR and when they should report possible ADR in cases in which the reaction's relationship to the drug is uncertain. This should include specific time frames for reporting ADR to FDA.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal is now under Office of Management and Budget (OMB) review. Completion of corrective action on this recommendation is contingent on the approval and publication of a final rule.

The Secretary of Health and Human Services should require the Commissioner, FDA, to urge sponsors, if they have not already done so, to establish definite time frames for clinical investigator reporting of ADR, which will allow the sponsors time to meet FDA reporting requirements.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal

is now under OMB review. Completion of corrective action on this recommendation is contingent on the approval and publication of a final rule.

The Secretary of Health and Human Services should instruct sponsors to label, or otherwise highlight, ADR forms or mailing envelopes to ensure that ADR will be recognized and dealt with immediately upon their arrival at FDA.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal is now under OMB review. Completion of corrective action on this recommendation is contingent on the approval and publication of a final rule.

The Secretary of Health and Human Services should require the Commissioner, FDA, to: (1) issue final sponsor-monitoring regulations; and (2) establish specific requirements for information to be included in progress reports submitted by sponsors of drug studies.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal is now under OMB review. Completion of corrective action on this recommen-

dation is contingent on the approval and publication of a final rule.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to revise its regulations to require sponsors to approve and submit for FDA review, before clinical testing begins, all clinical protocols.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal is now under OMB review. Completion of corrective action on this recommendation is contingent on the approval and publication of a final rule.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to develop a system for identifying major IND amendments and promptly distributing them to reviewers.

Status: Action in process. A proposed rule revising IND regulations was published on June 9, 1983. This proposal is now under OMB review. Completion of corrective action on this recommendation is contingent on the approval and publication of a final rule.

Nursing Homes

Medicaid: Making Georgia's Nursing Home Reimbursement More Equitable

HRD-86-58, 05/12/86

Background

GAO studied Georgia's reimbursement system for free-standing intermingled nursing homes to determine whether: (1) its grouping methodology for reimbursement purposes resulted in equitable reimbursement for intermingled homes; and (2) applying minimum nurs-

ing standards resulted in appropriate payment levels.

Findings

GAO noted that: (1) Georgia did not conduct studies or analyses to serve as a basis for establishing appropriate nursing home groupings for reimbursement purposes; and (2) the Health

Care Financing Administration (HCFA) accepted Georgia's assurance that its nursing home reimbursement rates were reasonable and adequate without supporting analysis. GAO found that Georgia's grouping method: (1) resulted in the classification of 66 percent of its nursing homes as free-standing intermingled homes able to

provide care for residents requiring either skilled-nursing or intermediate care; (2) did not consider homes' resident mixes, a significant cost determinant; (3) may cause inadequate reimbursement for some homes with a high concentration of skilled-care residents and few intermediate-care residents; and (4) may provide higher reimbursement to some intermingled nursing homes having primarily intermediate-care residents with lower nursing-related costs. GAO also found that Georgia could reduce Medicaid

costs by basing its minimum nursing standards on nursing home residents' actual care requirements rather than on facility classification.

Open Recommendations to Agencies

The Region IV Administrator, HCFA, should require Georgia to perform adequate studies or analyses to support its findings and assurances that its pay-

ment rates for intermingled nursing homes are reasonable and adequate to meet the costs incurred by efficiently and economically operated homes.

Status: Recommendation valid/action not intended. HCFA concurs with this recommendation, but it will not require states to take corrective action because it believes that it does not have legislative authority.

Prevention and Control of Health Problems

Legislative and Administrative Changes Needed To Improve Regulation of Drug Industry

HRD-83-24, 04/05/83

Background

Due to recent congressional concern about the significant decrease in the number of regulatory actions taken by the Food and Drug Administration (FDA), GAO reviewed FDA compliance activities to determine whether appropriate and timely regulatory actions are being taken against firms violating the law.

Findings

GAO found that, while the number of regulatory actions taken by FDA decreased considerably in fiscal year (FY) 1981, they increased in the category of regulatory letters during FY 1982 because of what may be a one-

time intensive effort against the manufacture of "look-alike" drugs. The primary factor influencing the decline of regulatory actions has increased FDA emphasis on voluntary compliance. Other significant factors included: (1) a 24-percent reduction in the number of inspectors; (2) an emphasis on abbreviated inspections; and (3) merit pay contracts which may discourage the submission of proposed regulatory actions because disapproved actions adversely affect performance ratings. GAO believes that, because FDA does not know how well voluntary compliance is working, it should develop a mechanism to measure whether the voluntary approach is resulting in compliance. Finally, GAO concluded that more timely and appropriate regulatory

actions could be taken if the number of disapproved recommended actions could be reduced.

Open Recommendations to Congress

Congress should amend section 304(g) of the Food, Drug, and Cosmetic Act by adding drug products to the language which gives FDA the authority to administratively detain medical devices.

Status: Action not yet initiated.

Prevention and Control of Health Problems

Centers for Disease Control Should Discontinue Certain Diagnostic Tests and Charge for Others

HRD-83-37, 04/06/83

Background

In response to a congressional request, GAO reported on the Centers for Disease Control (CDC) laboratory diagnostic testing services program.

Findings

A diagnostic analysis of sample specimen records showed that, although the CDC diagnostic testing service is supposed to be a final resort for testing specimens, 46 percent of the diagnostic specimens tested at CDC during fiscal year (FY) 1981 were not tested initially by commercial or state laboratories. GAO estimated the cost of unnecessary testing by CDC at \$1.9 million. Further, GAO found that specimens were not screened to determine whether prior testing had been performed. CDC laboratory personnel contended that it was easier to perform the tests than to screen and reject requests. Federal regulations require

CDC to recover the full cost of diagnostic testing services that it provides to private health care providers, clinical laboratories, and other federal agencies. However, in FY 1981, CDC collected no fees from private health care providers or clinical laboratories and only about \$30,000 from other federal agencies. GAO estimated that CDC could have collected about \$3.3 million in user charges from private health care providers and \$662,000 from other federal agencies.

Open Recommendations to Agencies

The Secretary of Health and Human Services should require the Director of CDC to improve and enforce diagnostic specimen screening procedures. CDC should be directed to prepare, and maintain on a continuing basis, a list of

diagnostic tests which it and commercial or state laboratories can perform. Such a list would be used at the state and CDC laboratory levels to identify those specimens which should be tested initially at a commercial or state laboratory rather than CDC. In addition, CDC should not accept specimens for testing that are not accompanied by all available information requested on the forms provided by CDC for use in submitting specimens. Finally, CDC should not accept specimens for testing which are submitted directly from private health care providers and clinical laboratories unless such submissions are authorized by both CDC and the state laboratory.

Status: Action in process. Action on this recommendation has been proposed by CDC to HHS.

Prevention and Control of Health Problems

Federal Regulation of Medical Devices—Problems Still To Be Overcome

HRD-83-53, 09/30/83

Background

GAO discussed the Food and Drug Administration's (FDA) efforts to regulate the medical device industry under amendments to the Food, Drug and Cosmetic Act which require FDA to: (1) protect the public against unsafe or ineffective new devices' gaining entry to the market; (2) review devices on the

market before passage of amendments; and (3) classify all devices according to risk and regulate them.

Findings

GAO found that FDA does not have a comprehensive system to collect and analyze data on medical device problems or their causes and severity. The

system focuses on problems with individual devices and has rarely been used to analyze trends with a particular group of devices. In addition, manufacturers and distributors are not required to notify FDA when they become aware of a death, injury, or hazard caused by a medical device. FDA could also use an improved information system to give the private sector better information on

user and maintenance problems. Many device experts whom GAO interviewed questioned the feasibility and utility of developing standards for over 1,000 devices because standards do not ensure safe and effective devices and may be obsolete by the time they are developed. GAO found that: (1) FDA has not reviewed the devices which were on the market before 1976; (2) a large number of devices will be involved; and (3) the process is time-consuming. GAO also believes that the FDA review of risky new devices on the basis that they are substantially equivalent to preenactment devices is not effective since FDA has not reviewed preenactment devices for safety and effectiveness as required by the amendments.

Open Recommendations to Congress

Congress could give FDA the flexibility to develop Class II performance standards on a case-by-case basis by amending section 513(a)(1)(B) of the act to read: "(B) Class II. Performance Standards.—A device which cannot be classified as a Class I device because

the controls authorized by or under sections 501, 502, 510, 516, 518, 519, and 520 by themselves are insufficient to provide reasonable assurance of the safety and effectiveness of the device, for which there is sufficient information to establish a performance standard to provide such assurance. The Secretary shall identify those Class II devices for which it is considered necessary to establish a performance standard to provide reasonable assurance of their safety and effectiveness and shall do so in accordance with section 514."

Status: Action in process.

Congress could eliminate the provision of the act that permits FDA to approve new Class III devices on the basis of substantial equivalence to already marketed devices and require instead that all new Class III devices be subject to a premarket approval review. To implement this change, section 513(f)(1)(A)(i) of the act could be amended to read: "(A) the device—(i) is within a type of device (I) which was introduced or delivered for introduction into interstate commerce for commercial distribution before such date and which has been classified in Class I or II, or (II)

which was not so introduced or delivered before such date and has been classified in Class I or II." Furthermore, section 515(c)(1) could be amended by substituting the word "shall" for "may."

Status: Action not yet initiated.

Congress could, if it decided that a review of all preenactment devices is not needed, amend the act to read: "(b)(1) In the case of a Class III device which—(A) was introduced or delivered for introduction into interstate commerce for commercial distribution before the date of enactment of this section; or (B) is (i) of a type so introduced or delivered, and (ii) is substantially equivalent to another device within that type, the Secretary shall by regulation, promulgated in accordance with this subsection, require that such device have an approval under this section of an application for premarket approval, when in the opinion of the Secretary, such premarket approval is necessary to ensure safety and effectiveness."

Status: Action not yet initiated.

Prevention and Control of Health Problems

HHS' Implementation of Superfund Health-Related Responsibilities

HRD-84-62, 09/28/84

Background

Pursuant to a congressional request, GAO determined the extent to which the Department of Health and Human Services (HHS) has been carrying out its responsibilities under the Superfund program. HHS responsibilities under Superfund include: (1) information collection, analysis, and management; (2) provision of medical services including care, testing, and research; and

(3) development of standards to protect hazardous waste workers.

Findings

GAO found that HHS: (1) is developing plans to establish three required registries of hazardous-substance-related diseases, but has not developed a registry of persons exposed to toxic substances; (2) is planning to upgrade its inventory of information on the health effects of hazardous substances, but has

not because of funding decreases; (3) has contracted for the development of a complete registry of areas closed due to contamination by toxic substances; (4) has conducted some biological testing at emergency sites; (5) has several studies in progress regarding the health effects of hazardous substances, but had only completed one such study since Superfund's implementation; and (6) has experienced delays in the establishment of safety standards for hazard-

ous waste workers. In addition, GAO found that HHS has made limited progress with Superfund implementation because of: (1) funding delays and reductions by the Environmental Protection Agency (EPA), which coordinates the Superfund budget; and (2) staffing limitations within HHS.

Open Recommendations to Congress

As Congress deliberates the future of Superfund, particularly the health-related responsibilities of HHS, it may wish to consider the workability of the existing arrangement where-

by EPA controls HHS funding levels and whether additional staff positions should be authorized for HHS activities to avert past situations where HHS had inadequate funds or staff to carry out its plans.

Status: Action not yet initiated.

Prevention and Control of Health Problems

Drug Regulation: FDA's Computer Systems Need To Be Better Managed

IMTEC-86-32, 09/05/86

Background

In response to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) management and use of drug information to determine whether its primary drug information systems were: (1) accurate and complete; and (2) useful to reviewers in facilitating the evaluation of new drug applications.

Findings

GAO found that, despite some improvement since 1983: (1) the three principal FDA drug information systems are inaccurate and one is incomplete; (2) these systems are not useful to most FDA drug reviewers because they are unreliable and do not meet user needs in facilitating the evaluation of new drug applications; and (3) these systems' inadequacies and other information management deficiencies may result in delays in identifying unsafe drugs that are already on the market and in the approval and marketing of new drugs that are unsafe, ineffective, or both. GAO believes that FDA difficulties with its drug information systems will continue because the agency has not effectively managed its information resources.

Open Recommendations to Agencies

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to develop and implement precise instructions for the receipt, processing, and input of adverse drug reaction (ADR) reports, particularly in the area of document control, to ensure that reports are entered into the system.

Status: Action in process. FDA is implementing written guidelines and procedures for data entry and quality control.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to develop and implement specific criteria for the timely entry of new drug application status and assignment information into the New Drug Evaluation/Management Information System.

Status: Action in process. Data entry will be contracted and, at that time, specific criteria will be specified.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to evaluate the Astro-IV System to determine its role in FDA, specifically to assess whether it is to be used in the drug review process or as an administrative tool supporting other programs. Only if the agency decides to use the system for drug reviews should it correct the system inaccuracies identified in this report. The agency should cease spending resources to upgrade the system's accessibility and utility for drug reviewers until this evaluation is completed.

Status: Action not yet initiated. The original recommendation in the draft report was changed. Therefore, FDA has not reacted or responded to this recommendation.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to monitor the reliability of data in all three systems by periodically testing data input procedures and system output.

Status: Action in process. FDA plans to conduct periodic reliability tests of the ADR system.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to implement standard drug terminology to enhance the integration of drug information systems.

Status: Action in process. Work is underway to integrate two systems based on standardized terminology being developed.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget,

should direct the Commissioner, FDA, to identify and document reviewers' and managers' automation needs through a rational assessment and development process and develop systems that directly support the review and analysis of drug applications and the monitoring of approved drugs. As part of the assessment and development process, FDA should evaluate: (1) the existing systems and determine if it would be more cost-beneficial to enhance, replace, or scrap them; and (2) the use of up-to-date technology to enhance data base integrity and to solve paper-volume, handling, and storage problems.

Status: Action in process. FDA is conducting a study of the new drug evaluation process to determine how automation can be applied. In addition,

an experiment on electronic transfer of data is continuing.

The Secretary of Health and Human Services, through the Assistant Secretary of Management and Budget, should direct the Commissioner, FDA, to prepare long-range automatic data processing (ADP) plans to assist in: (1) identifying the automated technology and information systems the Center for Drugs and Biologics needs to carry out its mission; and (2) justifying resulting budget requests.

Status: Action in process. FDA is developing long-range planning processes to justify ADP needs to Congress.

Income Security

Federal Employee Retirement and Disability Concerns About Controlling Union Employees' Benefit Funds by the Carpenters Collection Agency, Youngstown, OH

HRD-83-8, 11/12/82

Background

GAO was asked to examine: (1) the legality and functions of the Carpenters Central Collection and Administrative Agency, a nonprofit Ohio corporation that collects fringe benefit contributions from building trade employees; and (2) the timeliness and effectiveness of the Department of Labor's investigation and reporting of the Collection Agency's activities.

Findings

GAO found that Labor did not take aggressive action to require Health and Welfare Fund trustees to correct Employee Retirement Income Security Act (ERISA) violations identified in its investigations of the Collection Agency's activities. As a consequence, the Collection Agency has continued to control and use union employee fringe benefit funds in violation of ERISA provisions that are designed to prevent

such abuses. The Collection Agency collects and controls union membership fringe benefit payments by employers which may violate the Taft-Hartley Act, because it does not meet the statutory requirements of a Taft-Hartley trust; specifically, GAO is not aware of any written agreement between the Collection Agency and employers. The Collection Agency's trustees represent only the employees and, therefore, employers and employees are not equally represented in the administration of the Collection Agency's funds. In addition, the agreements between the Collection Agency and the employee benefit plans do not ensure that employee payments will be used for the sole and exclusive benefit of employees.

Open Recommendations to Agencies

If the Solicitor's Office determines that the Collection Agency is not a

labor organization under the Labor-Management Retirement Disclosure Act (LMRDA) and the Collection Agency cannot be required to report through the administrative process, the Secretary of Labor should propose to Congress that the statutory definition of a labor organization be changed to include such entities as the Collection Agency.

Status: Action in process. The Solicitor stated that the Agency is not required to report under LMRDA. In Justice's opinion, the Agency conduct described in reports furnished by Labor did not constitute a violation of the Taft-Hartley Act. Labor is working on language proposing an amendment to LMRDA establishing a new reporting category which would require the Agency to file annual financial reports with the Secretary.

Food and Nutrition Assistance

Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs

RCED-86-17, 03/14/86

Background

GAO reviewed the Food Stamp and Aid to Families with Dependent Children (AFDC) programs to: (1) examine how state and local collection offices use collection methods such as recoupment to recover overpayment claims; and (2) identify specific actions that would increase claims col-

lections. The programs are operated by the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) and the Department of Health and Human Services' (HHS) Office of Family Assistance (OFA), respectively.

Findings

GAO found that: (1) the procedures used to collect food stamp overpay-

ment claims are generally more restrictive than those used for AFDC claims regarding when states may use recoupment; (2) while recoupment is an effective collection technique, applicable law prohibits the use of recoupment to collect overpayments caused by agency errors; (3) overpayments caused by agency errors accounted for about 34 percent of claims against Food

Stamp program participants; and (4) USDA has estimated that the use of recoupment in the Food Stamp program could increase collections by \$1.4 million each month. GAO also found that: (1) in many cases, overpayment recipients leave their program before claims against them are fully paid and do not repay their claims; (2) if FNS gave participants only 10 days to respond to payment demand letters, instead of 30, it could have increased collections by 8 percent in the offices GAO visited; and (3) FNS could also increase collections by giving priority processing to claims against current participants and improving systems used to identify former participants who reenter the programs with outstanding claims. In addition, GAO found that: (1) claims against households no longer participating in the Food Stamp program totalled \$135 million in 1984, and FNS was not receiving payments on \$85 million of those claims; and (2) one possible way to improve collections on those claims would be to offset federal income tax refunds against participants' outstanding claims.

Open Recommendations to Congress

To improve the effectiveness of states' collection operations, Congress should amend the Food Stamp Act of 1977 to authorize states to pursue mandatory recoupment of overpayments that were caused by agency errors, as is done in the AFDC program. This can be done by amending the first sentence of section 13(b)(2)(A) by striking out "and claims arising from an error of the state agency."

Status: Action not yet initiated.

To further improve the efficiency and results of collection operations, Congress should amend the Food Stamp Act of 1977 to eliminate the requirement that states offer installment payments as an option in recovering over-

payments from participants. This can be done by amending the first sentence of section 13(b)(1)(A) by striking out "in accordance with a schedule determined by the Secretary." Such a change would not preclude states from allowing lump sum repayments or using installments when a household is no longer participating in the program or supplementing recoupment with any additional payments the participant might wish to make.

Status: Action not yet initiated.

To improve collections of overpaid benefits, maximize the use of recoupment, and improve consistency between the AFDC and Food Stamp programs, Congress should amend the Food Stamp Act of 1977 to require a maximum 10-day period for participants to respond to payment demand letters. Such a change can be accomplished by changing the word "thirty" to "ten" in the second sentence of section 13(b)(1)(A).

Status: Action not yet initiated.

If the 2-year test of tax refund offsets specified by the Deficit Reduction Act of 1984 proves that such offsets are feasible, Congress should consider specifically authorizing states to submit unpaid claims against former AFDC and Food Stamp recipients for collection using offsets of federal income tax refunds through procedures similar to those employed under the Deficit Reduction Act. To initially test the cost-effectiveness of the procedure, states should be allowed to use the procedure, on a voluntary basis, closely monitored by the responsible federal program agencies to ensure that adequate data are developed to evaluate the feasibility and cost-effectiveness of using it on a programwide basis.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the

Administrator, OFA, to specify that recoupment be used to recover overpayments from all participants receiving program benefits. This recommendation would not preclude installment payments being used in the AFDC program to supplement recoupment or lump sum payments to collect overpayment claims.

Status: Action in process. HHS is considering including the recommended change in regulations being formulated.

To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims.

Status: Action not yet initiated. USDA is preparing a response. Specific action it will take is uncertain at this time.

Target: Department of Agriculture

Status: Action in process. HHS will issue an Action Transmittal instructing states to take the recommended action.

Target: Department of Health and Human Services

To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to evaluate the operations of states' systems used to start collection action on cases involving former participants with outstanding claims who reenter the programs; identify reasons why such cases are not always identified at the time of application; and assist the states to improve their operations to remedy any such problems.

Status: Action not yet initiated. USDA is preparing a response. Specific action it will take is uncertain at this time.

Target: Department of Agriculture

Status: Action in process. HHS will revise its guidance to the states to

require them to take the recommended action and will provide them with the necessary training.

Target: Department of Health and Human Services

The Secretary of Agriculture should require states to initiate collection

action on food stamp claims involving participants awaiting administrative disqualification hearings.

Status: Action not yet initiated. USDA is preparing a response. Specific action it will take is uncertain at this time.

Food and Nutrition Assistance

Farm Payments and Loans: Consistency Needed in USDA Crop Yield Estimates

RCED-86-118, 05/29/86

Background

In response to a congressional request, GAO reviewed the methods used by the Agricultural Stabilization and Conservation Service (ASCS), the Federal Crop Insurance Corporation (FCIC), and the Farmers Home Administration (FmHA) to estimate crop yields. The review identified: (1) the impact of differences in estimated yields the agencies used; and (2) possible improvements to the yield estimation process.

Findings

ASCS, FCIC, and FmHA make payments and loans to farmers who enroll in their programs. Since the agencies' programs have different purposes, farmers enroll their cropland in more than one program. However, because each agency independently develops an estimated yield, the same cropland parcel can receive three different yield estimates. With no consistent basis for loan and payment calculations, farmers' payments under one agency's programs can be overstated or understated when compared with the payments calculated using another agency's yield estimates. GAO estimated how each agency's payments to individual farmers for their 1984 crops would have differed if the other agencies' estimated yields had

been used to calculate the payment amounts. GAO found that the impact of different yield estimates was significant for many of the sampled farmers. GAO also determined that some of the principal factors in calculating a yield estimate for a specific parcel of cropland include: (1) the number of years included in the base period; (2) the kind and extent of adjustments to actual yield data that would be permitted; and (3) the cost of the estimates. GAO believes that: (1) a long base period is desirable because it will better reflect a cropland unit's historical capacity; and (2) agencies should use an adjusted single yield estimate in their benefit calculations. GAO concluded that most farmers and Department of Agriculture (USDA) officials favor a single yield estimate for all department programs.

Open Recommendations to Agencies

To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs and to eliminate the duplicate costs incurred in estimating multiple crop yields for the same cropland, the Secretary of Agriculture should direct the Administrators, ASCS and FmHA,

and the Manager, FCIC, to jointly develop one method for estimating a single crop yield that is consistent with each agency's objectives, and to use the crop yields resulting from this method when determining the level of loans and payments to producers participating in ASCS, FCIC, and FmHA programs.

Status: Action taken not fully responsive. The agencies agreed with the concept of single yield, and ASCS and FCIC are moving toward that yield determination method. However, further action is unlikely without legislation.

To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs and to eliminate the duplicate costs incurred in estimating multiple crop yields for the same cropland, the Secretary of Agriculture should seek any required legislative change to permit using the yield estimate resulting from the method jointly developed when calculating the amount of loans and payments for producers enrolled in ASCS programs.

Status: Recommendation valid/action not intended. USDA has not sought legislative change. Committees are cog-

nizant of this recommendation. USDA action is unlikely.

To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs and to eliminate the duplicate costs incurred in estimating multiple

crop yields for the same cropland, the Secretary of Agriculture should direct the Administrators, ASCS and FmHA, and the Manager, FCIC, to give primary consideration to basing the yield estimation method on the actual historical production from each specific cropland unit.

Status: Action in process. The agencies agree with the concept of using actual historical production. ASCS and FCIC are moving toward this method. FmHA has no plans for action at this time.

Food and Nutrition Assistance

Food Stamp Program: Refinements Needed To Improve Accuracy of Quality Control Error Rates

RCED-86-195, 09/19/86

Background

GAO discussed the reliability of the Food Stamp Program's error rates, which served as the basis for sanctions that the Department of Agriculture (USDA) assessed against states for excessive errors they made in determining fiscal year 1984 program eligibility and benefit levels.

Findings

GAO found that: (1) in the three states it evaluated, the federal and state quality control reviews (QCR) were generally adequate, but the QCR process could have been improved; (2) USDA and the three states properly conducted QCR of cases representative of the overall food stamp case load; (3) a USDA regulation required states to drop cases from the QCR process that they could have completed; (4) the dropped cases were about twice as error-prone as completed cases and, if completed, would have increased error rates in all three states and sanctions in two of the three states; and (5) in computing the official error rates, USDA made statistical and mathematical mistakes for 13 of the 25 states.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service (FNS), to revise food stamp regulations to require states to obtain, at the time of application and recertification, authorization for release of information for possible use by quality control reviewers seeking to verify participants' eligibility for benefits.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to or acted on this recommendation.

The Secretary of Agriculture should change food stamp regulations governing the QCR process to eliminate the requirement that states drop cases in which personal interviews are not held and add a requirement that states use collateral or case record data to review cases in which personal interviews are precluded because participants died, moved out of state, could not be located, did not cooperate, or were institutionalized participants. In the case of institutionalized participants, states should first contact the institution to determine whether the participant can be interviewed.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to, or acted on, this recommendation.

The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to include in the error rate any case in which the review of basic program eligibility requirements shows that the participant was ineligible for the program.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to, or acted on, this recommendation.

The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to attempt to complete reviews of participants who are under investigation for suspected fraud or have pending administrative fraud hearings.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to, or acted on, this recommendation.

The Secretary of Agriculture should change food stamp regulations governing the QCR process to specify that

FNS regional offices have the authority to require states to complete reviews of cases for which the region believes sufficient information has been obtained or can be obtained to complete a review. The Secretary of Agriculture should consider augmenting this authority by asking Congress for authority to assess states for the costs the federal government incurs when completing reviews of cases dropped by states.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to, or acted on, this recommendation.

The Secretary of Agriculture should direct the Administrator, FNS, to annually review the error-rate calculations made for the states to ensure that official Food Stamp Program error rates are based on the appropriate statistical and mathematical procedures and

to give regions the assistance needed to correct any mistakes found. Special attention should be given to the states with stratified quality control samples because most of the calculation mistakes GAO found were concentrated in these states.

Status: Action not yet initiated. Because the report was recently issued, USDA has not responded to, or acted on, this recommendation.

General Retirement and Disability Insurance Social Security's Field Office Management Can Be Improved and Millions Can Be Saved Annually Through Increased Productivity

HRD-82-47, 03/19/82

Background

GAO reviewed selected Social Security Administration (SSA) field office operations.

Findings

GAO found that SSA can save millions of dollars annually by improving the management and productivity of its field offices. Gains can be achieved by: (1) establishing field office productivity goals and increasing management focus on potential productivity gains; (2) improving field office management information systems to improve the management and monitoring of goals; (3) improving headquarters communications to field offices, including improving the design and control of forms used by field offices; and (4) increasing automation of field office clerical tasks, program eligibility decisions, and benefit computations. SSA measures three dimensions of field office work: processing time, quality, and productivity. Some of the improvements in processing time and quality are

attributable to improved computer support and new techniques. Management interest in productivity would achieve improvements in that area. Field office personnel need simple and clearly written operating instructions. GAO tested the readability of several instructions by applying a fog index which approximates the number of years of education needed to read and understand SSA instructions. To understand the material required at least 15 years of education. However, GAO believes that the continuing problems that SSA has with instructions demonstrates a need for more field testing of and increased controls over the instructions. The lack of data and design standards for SSA forms result in inconsistencies between forms, which hamper productivity and lead to errors.

Open Recommendations to Agencies

The Commissioner of Social Security should establish productivity goals for

field operations along with accurate and reliable systems to monitor them.

Status: Action in process. Estimated completion date: 02/87. This recommendation cannot be implemented until the case management control system is operational.

The Commissioner of Social Security should develop and implement an automated field office work load control and management information system for managing the work load and appraising individual employee performance.

Status: Action in process. Estimated completion date: 02/87. The Work Load Control and Management Information System will be implemented in conjunction with the implementation phase of the various systems management projects, which are currently being put into operation.

General Retirement and Disability Insurance

Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits

HRD-82-43, 07/22/82

Background

Pursuant to a congressional request, GAO estimated the number of incarcerated felons who are receiving social security and other cash benefits from various federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress' enacting legislation in 1980 to exclude certain of these benefits to prisoners.

Findings

GAO estimated that before the 1980 amendments: (1) about 1.4 percent of the incarcerated felons were receiving social security disability benefits of approximately \$17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately \$8 million a year; and (3) about 1.3

percent were receiving VA education benefits of approximately \$14 million a year. Prisoners were also receiving cash benefits from other similar federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately \$4 million a year. Other prisoners were receiving cash benefits from the federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers (SSN's) are available for all prisoners. States varied widely in the completeness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but, because of tuition

waivers, some grants were higher than the schools fees actually charged to the prisoners.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.

Status: Action in process. VA is awaiting for a letter of agreement from SSA. It expects to receive this and start reviewing the tapes from SSA around the beginning of 1987. VA will then start the matching to identify provisions concerning VA benefits.

General Retirement and Disability Insurance

Social Security Administration Needs To Protect Against Possible Conflicts of Interest in Its Disability Programs

HRD-83-65, 06/10/83

Background

In response to a congressional request, GAO conducted a survey of the consultative examination process used by the Social Security Administration (SSA) to make disability benefit eligibility determinations.

Findings

GAO identified a loophole in SSA policies whereby physicians who are working for various state disability determination services (DDS) and under contract to SSA are prohibited from performing consultative examinations but are permitted to have familial or

financial interests in firms or organizations that do perform these examinations. SSA policy pertaining to physician independence states that all implications of possible conflicts of interest must be avoided. GAO believes that this policy should be strengthened and enforced. As a result of the current policy, a situation existed in the SSA

Chicago regional office where the Chief Regional Medical Advisor and one other medical consultant were associated with a firm which received almost \$2 million in 1982 for performing consultative examinations. While these arrangements were approved in advance by SSA and did not violate government standards of ethics, they did create a conflict of interest. Both medical consultants recently terminated their contracts with SSA.

Open Recommendations to Agencies

The Secretary of Health and Human Services should require that the Commissioner of Social Security revise SSA policies regarding physician independence or consultative examinations to prohibit all SSA and DDS physicians, whether under contract or employees, from having familial or financial interests in firms or organizations doing con-

sultative examinations. Contracts with physicians should be modified to include this prohibition.

Status: Action in process. SSA still has not issued the final policy on conflict of interest. The draft policy statement has been included in the proposed regulation which is still waiting for OMB approval for issuance. No date is set for its release.

General Retirement and Disability Insurance Better Case File Monitoring of the Workers' Compensation Offset Provision by the Social Security Administration Could Save Millions

HRD-83-90, 09/30/83

Background

GAO reviewed the losses that the Social Security Disability Insurance (DI) trust fund incurs each year because DI payments to disabled workers are not being reduced as required by the workers' compensation offset provision of the Social Security Act. The DI trust fund is the nation's primary source of income replacement for disabled workers. Many DI recipients are also entitled to federal disability or workers' compensation benefits. These benefits can overlap causing disabled workers to receive more in disability benefits than they were earning before they became disabled.

Findings

Although the offset provision saved the Social Security Administration (SSA) \$168 million in fiscal year 1981, GAO estimates that claims that were not offset cost the trust fund about \$43 million. GAO believes that many claims were not offset because SSA had no indication that the DI claimants had received other benefits or had claims

pending. However, in other cases, SSA could have prevented the loss by acting on evidence in the case files. In applying the offset provision, SSA relies heavily on claimants' voluntary reports of compensation awards or changes in award amounts. SSA has acknowledged that this reliance has contributed significantly to overpayments and it has begun several activities designed to investigate claimants' failure to report benefits payments. SSA is making inquiries into data exchanges with state agencies, but it reports that serious obstacles remain to be overcome before that objective can be achieved. SSA plans to select a state to participate in a pilot program and to evaluate the results of the program to determine the potential of file-matching programs. GAO stated that SSA could reduce or eliminate lost offsets for federal employee cases by matching its files with the Department of Labor's files. Since the beginning of the GAO review, SSA has initiated several actions to reduce the number of offsets not imposed, and the SSA Office of Assessment is planning to make several recommendations to improve the processing of offset cases.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should work with the Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files.

Status: Action in process. The plan is currently being developed to match and review the Federal Employees Compensation Act (FECA) file.

The Secretary of Health and Human Services, to facilitate the matches, should explore with the Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.

Status: Action in process. The plan is being developed to match and review the FECA file.

General Retirement and Disability Insurance

**The 1980 Multiemployer Pension Plan Amendments Act:
An Assessment of Funding Requirement Changes**

HRD-85-1, 02/27/85

Background

GAO reported on the effect of the Multiemployer Pension Plan Amendments Act of 1980 on employers, participants, and others, and it assessed the effect of the act's changes in multiemployer plan funding requirements.

Findings

GAO found that 14 of 149 plans it examined were financially distressed

and could pose a risk to the government's insurance program amounting to billions of dollars. The act's provisions for improving the financial condition of such distressed plans, however, may not be adequate. GAO noted that, although the act's reorganization provisions are intended to reduce the risk that financially distressed plans pose to the entire insurance program, the provisions are not likely to identify the distressed plans or to require most of them to take action to improve their financial condition.

Open Recommendations to Congress

Congress may wish to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code to require that the vested benefits charge under the reorganization provisions be calculated using a 15- rather than 25-year period for amortizing the unfunded vested benefits of plan participants that have not retired.

Status: Action not yet initiated.

General Retirement and Disability Insurance

**Effects of Liabilities Assessed Employers Withdrawing
From Multiemployer Pension Plans**

HRD-85-16, 03/14/85

Background

GAO reviewed the implementation and effects of the withdrawal liability provisions of the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) on those multiemployer plans not covered by the special rules or exemptions that apply mainly to construction and entertainment industry plans.

Findings

The Pension Benefit Guaranty Corporation (PBGC) administers an insurance program for private pension plans and guarantees the payment of

certain benefits to the participants of the plans if a plan terminates without sufficient assets to provide vested benefits, called withdrawal liability. Prior to MPPAA, employers could withdraw from a plan without any continuing obligation; now they are required to pay an allotted portion to the plan's unfunded vested benefits. GAO found that MPPAA eliminated or reduced the effects of withdrawal liability by providing limits on the collection of liabilities from individual employers. GAO also found that the determination of appropriate interest rates was complex because the assumptions should reflect the long-term expectation of rates of return on the investment of plan assets held by the plan.

GAO believes that there is a need to monitor determinations of withdrawal liability by multiemployer plans and to consider the issuance of regulations on actuarial assumptions. MPPAA set forth four methods used in allocating a plan's unfunded benefits to withdrawing employers and, depending on the method selected, the amounts allocated may differ between new and current employers or between growing and declining employers. GAO believes that MPPAA-imposed liability increases the pension security of participants in poorly funded plans and provides protection against the insolvency of the PBGC insurance fund by reducing the contingent liability against the program resulting from poorly funded plans.

Open Recommendations to Congress

To better protect the financial condition of plans against declines in contributions by major employers, Congress may wish to consider amending MPPAA to revise the partial withdrawal liability rules to allow all plans to adopt an

option similar to the 35-percent rule now available to retail food industry plans.

Status: Action not yet initiated.

Because the application of withdrawal liability in fully funded plans does not

seem to have been contemplated under MPPAA, Congress may wish to consider amending MPPAA to exempt employers in fully funded plans from withdrawal liability.

Status: Action not yet initiated.

General Retirement and Disability Insurance

Need To Strengthen Social Security's Beneficiary Reporting Requirements and Enforcement Authority

HRD-85-12, 03/22/85

Background

GAO reported on federal retirement overpayments to determine what portion of overpayments are caused by beneficiaries and how effectively the Social Security Administration (SSA) utilizes its sanctions to prevent and minimize improper reporting.

incidents that give rise to beneficiary-caused overpayments. GAO believes that, although some overpayments cannot be avoided, most could be avoided or reduced if compliance procedures were better enforced.

Status: Action not yet initiated.

Findings

GAO found that, as of September 1984, retired and disabled beneficiaries and their dependents or survivors owed SSA about \$2 billion, which represented about 1.4 million overpayments. About 60 percent of such overpayments, constituting two-thirds of all overpaid dollars, were caused by beneficiaries who misreported, reported late, or did not report events that would have reduced or eliminated benefits. Although most overpayments were refunded to the government, a small portion of funds was retained because SSA does not often use existing penalty authority or the authority does not extend to all

Open Recommendations to Congress

Congress should amend title II of the Social Security Act to: (1) require that beneficiaries who expect to earn more than the exempt amount submit an earnings estimate to SSA; (2) provide authority for SSA to assess penalties in cases where beneficiaries do not make reports within the prescribed time or fail to furnish an earnings estimate; (3) require penalties to be collected from persons no longer receiving benefits; (4) make the penalty structure more equitable by relating it to the amount of the overpayment and, if feasible, the lateness of the report; and (5) provide for the Secretary of Health and Human Services to waive penalty charges.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to improve the management of the current penalty process. Specifically, SSA should: (1) ensure that repayment history and other data needed to make the decision to assess a penalty are available at the time the initial decision is made and that penalty decisions are documented; and (2) review all penalty decisions before they become finalized to identify and correct inconsistent application of the penalty procedures.

Status: Action not yet initiated. SSA will continue to do what it is doing now.

General Retirement and Disability Insurance

Improving the Quality of Social Security Administration Notices

HRD-85-96, 08/29/85

Background

GAO reviewed the Social Security Administration's (SSA) Clear Notices Project to determine whether: (1) improved notices are likely to result from the effort; and (2) more could be done to help produce clear notices.

Findings

GAO found that 5 of the 12 initiatives of the project, which was established in April 1984 and is scheduled to end September 30, 1986, have been completed. The completed initiatives include: (1) the standardization of notice content; (2) the development of an agencywide format; and (3) the cataloging of notice language. SSA is still revising

existing notices to meet notice standards and is testing proposed notice language with notice recipients. However, the revision of initial claims notices for the retirement, survivors, and disability insurance programs will involve the implementation of an automated claims process in field offices which is not expected to be completed until 1988. GAO found that the changes in language and format which the project has produced to date have improved the clarity of notices; however, SSA does not periodically evaluate the clarity of its notices or solicit feedback from its clients. GAO believes that: (1) SSA management needs client feedback on the clarity of the notices; and (2) field testing proposed notice language would be prudent.

Open Recommendations to Agencies

The Acting Commissioner of Social Security should develop and implement a strategy to obtain periodic feedback from SSA clients on the clarity of SSA notices and use such feedback to systematically evaluate SSA progress in improving and maintaining notice clarity.

Status: Action in process. SSA is in the process of obtaining a vendor to test the clarity of the revised notices.

General Retirement and Disability Insurance

Improving Operating and Staffing Practices Can Increase Productivity and Reduce Costs in SSA's Atlanta Region

GGD-85-85, 09/11/85

Background

As part of a series of reviews of productivity in government claims processing, GAO reviewed field office productivity in the Social Security Administration's (SSA) Atlanta Region.

Findings

GAO found that: (1) while the SSA Atlanta Region ranked at the top in productivity among SSA regions, productivity within the region varies widely because of inconsistent staffing and

operating practices among field offices; (2) regional and area management staff do not allocate staff among field offices based on fluctuating work loads; (3) at a number of field offices, staffing levels remained unchanged over a period of several years despite decreasing work loads; (4) at some field offices, staffing was supplemented for reasons not related to work loads; and (5) SSA unjustifiably allows area directors to adjust staffing levels based on their perceptions of local conditions. GAO also found that: (1) field offices use a wide variety of processing practices, organization structures, and work load

control practices despite similarity in work loads and services offered; (2) while some offices incorporate additional work steps and quality reviews into their processing procedures, these offices do not produce significantly better work than other offices; (3) those offices with lower productivity averaged 7-percent less staff devoted to positions directly related to claims processing; and (4) improved training for area and field office managers about efficient processing practices could stimulate significant productivity improvements in the region.

Open Recommendations to Agencies

The Commissioner of Social Security, Atlanta Region, should require area directors to improve the regional staff allocation process by using the more productive offices as indicators of appropriate staff-to-work load ratios.

Status: Action in process. As a consequence of visiting offices to examine procedures, regional management determined that a comprehensive evaluation of operating practices would be beneficial. A private management consulting team was hired to assist in this endeavor. The planned methodology appears to parallel and enlarge the GAO work.

The Commissioner of Social Security, Atlanta Region, should require area directors to establish procedures to identify the best operating practices used in the various field offices and disseminate information on the best operating practices to local field managers for their use where appropriate.

Status: Action in process. Regional office review teams are visiting highly productive offices to identify the best practices which could be widely disseminated and adopted.

The Commissioner of Social Security, Atlanta Region, should require area directors to provide field office managers with training in analytical tools which would enable them to improve operating practices.

Status: Action in process. The region is conducting training for field managers to assist them in analyzing work load processing procedures and improve productivity.

The Commissioner of Social Security, Atlanta Region, should hold area directors and field office managers accountable through their merit pay plans for improving field offices' operating practices and, as operating practices are improved, hold these managers accountable for staffing offices in accordance with their staff-to-work load ratios.

Status: Action in process. Productivity was included in the merit pay work plans of field managers and regional office line managers.

General Retirement and Disability Insurance

SSA Consultative Medical Examination Process Improved; Some Problems Remain

HRD-86-23, 12/10/85

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) management of the consultative examination (CE) process in its disability programs. GAO evaluated: (1) SSA ability to ensure the quality and reliability of examinations and reports; (2) SSA controls to ensure the necessity and appropriateness of CE purchases; and (3) the operations of major volume providers nationwide.

Findings

Disability decisions are made by state disability determination services (DDS), which are regulated by SSA regional offices. If a claimant's treating physician is unavailable to provide evidence of medical impairment, a

CE is purchased from private medical sources. GAO found that: (1) increased SSA claims documentation requirements, emphasis on decisional accuracy, and continuing investigations of persons already receiving disability benefits increased the rate of CE purchasing; (2) as the demand for CE's grew, states would purchase them from volume providers; (3) few substantive problems were found in on-site reviews of volume providers by state and federal teams; (4) SSA required states to establish CE management plans with oversight by SSA regional offices; (5) new SSA policies have provided better direction on physician standards and CE report requirements; and (6) states have increased their monitoring of CE providers. GAO also found that: (1) SSA did not specify how the states should structure their management systems to control the CE process; (2) SSA

still lacks reasonable assurance that good quality medical examinations and reports are obtained and the purchase of unnecessary examinations is prevented; and (3) some SSA regional offices have not reviewed their states' implementation plans and were not performing monitoring activities as SSA requires.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to require states that use volume providers to establish standards for controlling CE appointment scheduling and/or examination duration, preferably before the resumption of continuing disability reviews.

Status: Action in process. Proposed regulations incorporating time frames for scheduling CE appointments are in the clearance process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to clarify SSA intent and provide specific direction to states on structuring systems for ongoing review of CE reports and require the larger DDS to establish independent report review systems.

Status: Action in process. A comprehensive medical evidence effectiveness plan which includes proposals for ongoing reviews of CE reports and forming model CE review units in larger DDS, has been developed and will be released for field comments soon.

The Secretary of Health and Human Services should direct the

Commissioner of Social Security to issue a comprehensive review guide to SSA regional offices for use in conducting annual and uniform comprehensive reviews of states' CE management activities.

Status: Action in process. SSA plans to issue a standard review guide for regional offices to use in conducting CE monitoring activities in DDS.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to monitor DDS implementation of the new requirements to pursue treating source evidence to determine if additional controls are needed to prevent premature and unnecessary CE purchasing.

Status: Action in process. SSA is soliciting reactions from DDS to a

proposal that would require a 30-day waiting period before ordering a CE. SSA is also monitoring DDS use of medical evidence of records through an ongoing quality assurance process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to conduct a study to determine the effect of physician review of CE requests on the appropriateness of CE purchases and, if warranted, require that such reviews be mandatory for all DDS.

Status: Action in process. SSA developed a plan for a study in fiscal year 1986 on the frequency of unnecessary CE purchases. SSA is also collecting data to measure the effectiveness of physician reviews on the appropriateness of CE purchases.

General Retirement and Disability Insurance

Social Security: Quality of Services Generally Rated High by Clients Sampled

HRD-86-8, 01/30/86

Background

GAO conducted a survey of clients of the Social Security Administration's (SSA) Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs to ascertain their opinions of the quality of SSA services.

Findings

GAO sent questionnaires to 1,680 SSA clients, asking them to rate SSA services and to compare SSA to other government agencies. GAO found that: (1) 78 percent rated SSA services as good to very good; (2) 50 percent rated services as somewhat to much better than services received from other agencies; (3) 90 percent said that SSA employees

are courteous; (4) 7 percent rated services as poor to very poor; and (5) those clients receiving SSI, the disabled, and denied claimants were less satisfied, and significant differences were noted between SSI and OASDI clients and between the disabled and nondisabled. GAO also found that: (1) of clients who visited field offices, 80 percent waited a reasonable amount of time for service and 88 percent had sufficient privacy to discuss personal business with SSA staff; (2) most clients considered mail from SSA generally easy to understand, but 50 percent had contacted SSA for clarification; and (3) of clients who reached SSA by phone for service, 47 made contact on their first attempt. GAO found several factors that make it difficult for SSA to deliver quality services such as: (1)

new program responsibilities and program changes mandated by Congress; (2) an antiquated computer system to process the millions of annual transactions; (3) larger case loads as the number of older Americans increases; (4) diversion of resources to carry out judicial mandates; and (5) legislation with short implementation lead times. GAO noted that the SSA systems modernization plan should bring the agency's computer systems to a level that will improve service.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the

Commissioner of Social Security to conduct periodic surveys of client satisfaction with the quality of SSA service and advise Congress of the results.

Status: Action in process. A decision paper on how to implement this recommendation was prepared. A decision was expected in July 1986. As of

November 1986, SSA decided to have someone outside of SSA do the surveys. SSA is now contracting for this activity.

General Retirement and Disability Insurance

Discrepancies in Benefits Paid by the Railroad Retirement Board for SSA

HRD-86-3, 02/05/86

Background

GAO surveyed 17 different types of data exchanges between the Railroad Retirement Board (RRB) and the Social Security Administration (SSA), focusing on the benefit payments that RRB makes on behalf of SSA.

Findings

GAO found that, although RRB and SSA developed a monitoring system (CSAUDIT) to verify the accuracy of payments RRB made on behalf of SSA to beneficiaries entitled to both railroad retirement and social security benefits, only 12 percent of the 190,000 identified payment discrepancies have been reconciled. Most of the discrepancies remain unreconciled because: (1) RRB and SSA disagree about the adequacy of CSAUDIT as a reconciliation tool; and (2) neither agency has committed sufficient resources to reconcile the increasing case backlog. RRB is unwilling to expend resources on what it believes to be unnecessary and costly work, and SSA refers many CSAUDIT discrepancies to RRB that it could resolve. The review of discrepant cases and recent RRB and SSA data suggest that many beneficiaries have been over- or underpaid substantial amounts for years. The delays in reconciling these discrepancies have led to extended periods of erroneous payments and to situations where erroneous payments could not be remedied.

Open Recommendations to Agencies

The Commissioner of Social Security and the Chairman, RRB, should develop an interagency agreement by March 31, 1986, defining the responsibilities of each agency in reconciling CSAUDIT discrepancies and a timetable for reconciling the discrepancies.

Status: Action taken not fully responsive. An interagency agreement was reached on June 13, 1986. It defined each agency's responsibilities and the reconciliation process; however, it did not specify a reconciliation timetable. Further negotiations are expected after the completion of a SSA study examining the effect of benefit discrepancies on trust funds and individuals. Whether a timetable is established depends on study results.

Target: Social Security Administration

Status: Action taken not fully responsive. An agreement was negotiated on June 13, 1986. It defined each agency's responsibilities and the reconciliation process; however, it did not specify a reconciliation timetable. Further negotiations are expected after completion of a SSA study examining the effect of benefit discrepancies on the trust funds and individuals. Whether a timetable is established depends on study results.

Target: Railroad Retirement Board

The Commissioner of Social Security and the Chairman, RRB, should make specific resource commitments for reconciling CSAUDIT discrepancies.

Status: Action taken not fully responsive. SSA committed resources to resolve new discrepancies. SSA is awaiting completion of a study before making a commitment to work backlogged cases.

Target: Social Security Administration

Status: Action taken not fully responsive. RRB committed 400 staff-hours per month to reconcile new discrepancies. RRB has not committed resources to reconcile backlogged items.

Target: Railroad Retirement Board

The Commissioner of Social Security and the Chairman, RRB, should reconcile CSAUDIT discrepancies on a continuing and timely basis.

Status: Action taken not fully responsive. SSA began reconciling new discrepancies in June 1986. While this action is expected to continue and is timely for new discrepancies, timely action is still needed to resolve backlogged items.

Target: Social Security Administration

Status: Action taken not fully

responsive. RRB began working on new discrepancies referred from SSA. RRB has not agreed to reconcile backlogged items in a timely manner.

Target: Railroad Retirement Board

General Retirement and Disability Insurance

1980 Multiemployer Pension Amendments: Overview of Effects and Issues

HRD-86-4, 02/13/86

Background

In response to a congressional request, GAO reported on: (1) changes in the Pension Plan Insurance Program's financial condition since the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) was enacted; (2) the act's initial effects on the program, plan participants, and contributing employers; and (3) possible effects of the act over the long term.

Findings

GAO found that, at the time MPPAA was enacted in 1980, the insurance program had an \$8.5 million deficit, but 4 years later, it had a \$17.2 million surplus. During the same period, the program's cash reserve increased from three times the annual disbursements to seven times. Both improvements came about because the increased premium rate generated more than enough

revenue to pay program liabilities, while average disbursements remained relatively constant before and after the act went into effect. GAO found that MPPAA provisions provided protection to the program without significantly increasing costs to most employers, because: (1) plan funding provisions, for most plans, required higher employer contributions than before; (2) withdrawal liability provisions, as of mid-fiscal-year 1983, resulted in about \$260 million being potentially collectable from employers who withdrew from the 149 plans; and (3) a special provision eliminated withdrawal liability for about 68 percent of the 3,853 employers withdrawing from sample plans with unfunded benefits and reduced liability for another 12 percent. GAO believes that: (1) the program remains exposed to billions of dollars in potential losses from unfunded plan benefits; (2) MPPAA provisions may be inadequate to protect the program because col-

lections of withdrawal liabilities from bankrupt employers may be limited; (3) the act's withdrawal liability provisions may cause new employers not to join the plans; and (4) participants' benefits may be significantly affected by employers acting to slow or stop benefits improvements.

Open Recommendations to Congress

Congress should consider requiring the collection and analysis of data needed to assess issues affecting the multiemployer pension plan system. Congress could use such data in formulating and implementing policy changes.

Status: Action not yet initiated.

General Retirement and Disability Insurance

Need To Improve Unit Times for Estimating Field Office Staff Budgets

GGD-86-90, 08/06/86

Background

GAO reviewed the Social Security Administration's (SSA) use of unit time to estimate its field office staffing needs.

more efficient by using engineered time standards.

to determine the feasibility and cost-effectiveness of using such standards on a wider basis.

Findings

GAO found that: (1) SSA develops and uses unit times and works to keep them current by adjusting them for methods, procedures, and systems changes; and (2) SSA could make its unit times

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to develop engineered time standards on a pilot basis in selected field offices

Status: Action not yet initiated. The Department of Health and Human Services (HHS) stated that it does not disagree with this recommendation, but it is unable to take action at this time because of higher-priority productivity improvement activities.

General Retirement and Disability Insurance

SSA Should Limit ADP Procurements Until Further Testing Is Performed

IMTEC-86-31, 08/08/86

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) Systems Modernization Plan to determine whether SSA fully justified ongoing and planned computer hardware procurements totalling \$343 million and whether the procurements will meet SSA requirements.

not provide an overall and thorough measure of the system's projected performance. GAO believes that SSA: (1) should limit the procurements to only the equipment needed to test the total planned hardware configuration in conjunction with the major software components currently under development; and (2) not procure the full complement of equipment until and unless it conducts an evaluation of the total system over a period long enough to obtain stable and complete results, and reviews those results prior to committing to procurements for full system deployment.

essential expenditures, the Secretary of Health and Human Services should direct the Commissioner of Social Security to limit future contractual commitments of funds until SSA assesses, justifies, and documents projected automatic data processing requirements, alternatives to meeting the requirements, and the associated benefit to the SSA mission, which should result in a clarification of SSA equipment needs.

Findings

GAO found that: (1) the ongoing and planned procurements for the plan were not justified because it was unclear what needs the procurements would address, what potential mission benefits would result from the acquisitions, and whether SSA had adequately analyzed alternatives; and (2) the SSA tests conducted to validate the software will

Open Recommendations to Agencies

To ensure that SSA valid computer needs are met without making unne-

Status: Action taken not fully responsive. SSA has moved forward to procure all elements of the data network, including 22,000 terminals.

To ensure that SSA valid computer needs are met without making unnecessary expenditures, the Secretary of

Health and Human Services should direct the Commissioner of Social Security to limit the acquisition strategy for the terminals, data network and host computers to support only the full installation of equipment at the 20 offices designated as pilots by SSA. The pilots should provide SSA the opportunity to more adequately assess its needs.

Status: Action taken not fully responsive. SSA signed contracts for

both the terminals and the data network.

To ensure that SSA valid computer needs are met without making unnecessary expenditures, the Secretary of Health and Human Services should direct the Commissioner of Social Security to replace the existing terminals and network in the remaining field offices once the testing of equipment

reliability is complete. This approach should result in substantial lease cost savings and put in place a standard, industry-supported network that can be easily expanded.

Status: Action taken not fully responsive. SSA plans to install the terminals with regard to replacing the current Paradyne terminals.

General Retirement and Disability Insurance

Improved Telephone Accessibility Would Better Serve the Public

HRD-86-85, 08/29/86

Background

GAO reported the results of a nationwide test of the Social Security Administration's (SSA) telephone accessibility to the public and provided information on SSA standards and telephone reporting activities.

Findings

GAO noted that SSA: (1) maintains 34 teleservice centers to answer telephone calls in major metropolitan areas or entire states; (2) maintains 20 miniteleservice centers, 12 statewide centers, and 627 local or district offices to provide telephone service to less populous areas; and (3) utilizes service standards for its teleservice centers that require that calls not be left on hold for more than 2 minutes and that busy-signal rates do not exceed 15 percent. GAO found that: (1) SSA answered three of every four calls from the public directly or within 2 minutes of putting a call on hold; (2) telephone access to SSA varied considerably among telephone answering facilities; (3) some SSA facilities

provided unacceptable service by SSA standards; (4) SSA facilities reported misleading and limited data on their telephone service to the public; and (5) SSA service standards apply only to the teleservice centers.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to take steps to bring into compliance those facilities not meeting service-level standards.

Status: Action in process. Initial discussions are being held.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to clarify the average wait-time standard to require that only calls on hold be used in computing the average.

Status: Action not yet initiated. The agency is studying this recommendation.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to develop busy-signal and average wait-time standards for telephone calls to miniteleservice centers, statewide units, and local offices.

Status: Action in process. The agency is analyzing options.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to periodically measure and evaluate service provided by SSA telephone answering facilities against established standards.

Status: Action in process. The agency plans to use the GAO evaluation design.

Housing Assistance and Other Income Supplements

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks

HRD-79-68, 04/05/79

Background

A review was completed of the requirements and practices for refunding or crediting the federal government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over \$5 billion.

Findings

The return of federal AFDC funds for checks that were never cashed was generally left to the states' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 states showed that these states allowed AFDC checks to be negotiated 30 days to 2 years after they were issued, at which time they were cancelled. In addition, once states acted to void the checks, there was no mechanism to ensure

that the federal government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring federal funds to the states for public assistance programs, including AFDC. Presently, states are authorized to draw federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the states issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many states invest the federal funds and earn interest. Under the proposal, states would be authorized to draw federal funds only when a recipient actually cashes the check and it is presented to the state's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the federal government not receiving credit for its share of funds in uncashed AFDC checks.

Open Recommendations to Agencies

The Secretary of Health, Education, and Welfare should take action to identify and recover the total amount of federal funds in uncashed AFDC checks that have not been refunded to the federal government.

Status: Action in process. Estimated completion date: 03/87. In April 1986, HHS financial management reviewers were trained in verifying whether states were crediting the federal share of uncashed checks against federal funds drawn down from the Federal Reserve. Reviews in each state are to commence in fiscal year 1987.

Housing Assistance and Other Income Supplements

The Davis-Bacon Act Should Be Repealed

HRD-79-18, 04/27/79

Background

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of \$2,000, to which the United States is a party or shares the financing, must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed

on projects of a similar character in the area in which the work is to be performed. The act was intended to discourage nonlocal contractors from successfully bidding on government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977, about \$172.5 billion was spent on new public and private construction projects, but only \$37.8 billion was for direct federal or federally assisted

construction spent by state and local agencies and involved about 22 percent of the nation's 3.8 million construction workers. The remaining \$134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings

The significant changes in the nation's economic conditions and the economic

character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by Labor to develop and issue wage rates based on prevailing rates. The review of 30 federal or federally assisted projects, costing an estimated \$25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where Labor's rates were lower than those prevailing

locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When Labor's rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at \$189.1 million for 1977.

Open Recommendations to Congress

Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act because of: (1)

significant increased costs to the federal government; (2) the impact excessive wage determination rates have on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low.

Status: Action not yet initiated.

Congress should also repeal the provisions in the 77 related statutes which involve federally assisted construction projects and require that wages paid to contractor employees should not be less than those determined by the Secretary of Labor to be prevailing in the locality in accordance with or pursuant to the Davis-Bacon Act.

Status: Action not yet initiated.

Housing Assistance and Other Income Supplements

Action Needed To Avert Future Overpayments to States for AFDC Foster Care

HRD-81-73, 04/20/81

Background

Until the Adoption Assistance and Child Welfare Act was enacted, the Department of Health and Human Services (HHS) matched payments available to the states under the the Aid to Families with Dependent Children (AFDC) program for foster home care of dependent children. The act established fiscal year (FY) 1978 as a base year for the computation of future allotments of foster care moneys. A GAO review showed certain unallowable practices regarding FY 1978 reimbursements which, if not given prompt attention, could continue to improperly increase future foster care allotments to some states.

Findings

GAO found that over \$12 million in private nonprofit agency foster family home administration costs, not eligible for federal sharing, were incurred by New York City and federally reimbursed. The states of New York and California were also reimbursed an undetermined amount for costs attributable to ineligible foster care enrollees. Since 1978, GAO has unsuccessfully attempted to have HHS take corrective action to recover amounts reimbursed to New York City for unallowable administrative costs. The longer HHS takes to correct the level of FY 1978 federal reimbursements, the larger the overpayments will be. Using FY 1978 as a basis for allotments to New York and California

without adjusting for incorrect federal payments has resulted and will continue to result in reimbursements higher than those authorized. If there is a dispute between any state and HHS as to expenditures for a base year, the base amount may only be changed in the FY after the one in which the dispute is resolved. The foster family home administrative services, in dispute in several New York City contracts with private nonprofit agencies, are normally provided by state social service agencies.

Open Recommendations to Agencies

The Secretary of Health and Human Services should recover overpayments

made to New York City for unallowable administrative costs.

Status: Action in process. Estimated completion date: 12/86. The HHS Grant

Appeals Board decision against New York City, on January 7, 1986, left avenues open for it to provide additional data in support of costs claimed. As of November 1986, additional data was

being submitted and no recoveries had been made.

Housing Assistance and Other Income Supplements Legislative and Administrative Changes To Improve Verification of Welfare Recipients' Income Could Save Millions

HRD-82-9, 01/14/82

Background

GAO was requested to review the manner in which income and asset information is used and verified by administering agencies to determine eligibility for federal assistance programs, which provide benefits to needy individuals and families.

Findings

Underreporting of income and assets by recipients of benefits from needs-based programs, whether deliberate or otherwise, results in hundreds of millions of dollars in improper payments each year. Current verification requirements and practices are not adequate to prevent such payments. Verification requirements vary widely, but generally are vague or overly restrictive. Furthermore, some federal laws and regulations preclude the use of information which, if available, would enhance the verification process.

Open Recommendations to Agencies

The Director, Office of Management and Budget (OMB), should identify which of the 58 federally funded needs-based programs should use: (1) Social Security Administration (SSA) wage, self-employment earnings, retirement income, and benefit data; (2) Office of Personnel Management (OPM) wage data; (3) state wage data; and (4) Internal Revenue Service (IRS) information return data.

Status: Action in process. Estimated completion date: 03/87. Progress on this action is expected to be reported in March 1987.

The Director, OMB, should direct that all federal departments and agencies responsible for the needs-based programs issue regulations to require the use of the data with appropriate safeguards and establish mechanisms to monitor the use of the data.

Status: Action in process. Estimated completion date: 03/87. In February 1986, final regulations were issued to meet Deficit Reduction Act (DEFRA)

requirements. Progress on this action is expected to be reported in March 1987.

The Secretaries of Agriculture and Health and Human Services should require that, in administering the programs, federal, state, and local agencies use available federal and state wage data and SSA retirement income and benefit data provided by the beneficiary data exchange and the state data exchange.

Status: Action in process. Estimated completion date: 03/87. In February 1986, final regulations were issued to meet DEFRA requirements. Progress on this action is expected to be reported in March 1987.

Target: Department of Health and Human Services

Status: Action in process. Estimated completion date: 03/87. In February 1986, final regulations were issued to meet DEFRA requirements. Progress on this action is expected to be reported in March 1987.

Target: Department of Agriculture

Housing Assistance and Other Income Supplements

Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System

CE-82-34, 01/29/82

Background

GAO reviewed the Department of Agriculture's (USDA) use of the Authorization-to-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of the review was to make a preliminary assessment of the Food and Nutrition Service's (FNS) efforts to ensure the integrity of the system, which will deliver about \$8 billion of the estimated \$10.6 billion of food stamp benefits in fiscal year 1982.

Findings

GAO found that the ATP system has serious weaknesses. While losses through the system have been reported to be about \$12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports by others indicate that actual losses are greater. As a result, FNS does not know the full extent of the losses. Moreover, it has opted to assume the fiscal liability of these losses when, in fact, some could have been prevented by food stamp agencies. FNS

has issued regulations requiring the use of photo identification at all food stamp projects. The new regulations also limit ATP card replacements, but duplicate transactions may still occur. GAO found that not all food stamp agencies that have serious ATP problems are required to use photo identification under the current criteria.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Acting Administrator, FNS, to take specific measures to improve the ATP system's fiscal integrity, including: (1) determining those elements of existing ATP delivery systems, which are most effective in preventing program losses, and direct that the more effective methodologies be used where appropriate; (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP trans-

actions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses; (3) requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions but not currently covered by the regulations; (4) enforcing program regulations making states and local food stamp agencies liable for program losses that should have been prevented; and (5) reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.

Status: Action in process. Estimated completion date: 03/87. USDA partially implemented this recommendation. For example, it expanded coverage of photo identification and is emphasizing the use of more effective benefit delivery techniques. In April 1986, USDA issued proposed regulations to strengthen the issuance system along the lines suggested. Final regulations are expected by March 1987.

Housing Assistance and Other Income Supplements

Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud

RCED-83-40, 02/04/83

Background

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the

adjudication of cases involving alleged fraud since a 1977 report.

Findings

During fiscal years 1980 and 1981, the federal government lost about \$2

billion through state overissuances of food stamp benefits, and eligible households received about \$500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only

about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service (FNS) can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors identify with specific households. Data from six states indicated that, compared with total estimated overissuances, relatively few specific cases have been identified. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides needed financial incentives to identify more overissuance cases. Although states are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and requires offsets against benefits to households still in the program of recipient-caused errors. GAO found that states have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them and FNS has not acted in a concerted way to solve or lessen barriers to state fraud pursuit.

Open Recommendations to Congress

Congress should amend the Food Stamp Act of 1977, as amended, to require

recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance.

Status: Action in process.

The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Agriculture should explore with the states ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that states' administrative resources can be directed toward corrective actions that will result in maximum benefits.

Status: Action in process. USDA

is developing profiles of error-prone households and plans to distribute the profiles to the states to assist them in verifying participants' eligibility. In addition, USDA is developing profiles of the geographic areas that are most error-prone, as required by the 1985 Farm Bill.

The Secretary of Agriculture should require FNS to solicit, compile, and distribute to the states information on the availability of different kinds of data files that could and should be used to verify household data items that have a major bearing on program eligibility and benefit levels.

Status: Action in process. As part of its Operation Awareness initiative, FNS is developing a catalog of program improvements to share with the states.

The Secretary of Agriculture should assess the problems that state officials have reported or may report as barriers to adjudicating alleged food stamp fraud and, to the extent practical, provide the guidance and technical assistance necessary for resolving or decreasing the adverse effect of those problems.

Status: Action in process. USDA is still analyzing the barriers to fraud pursuit and plans to offer assistance based on its analysis.

Housing Assistance and Other Income Supplements

Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System

RCED, 09/07/83

Background

GAO conducted a survey to obtain information on the operation of the Food and Nutrition Service's (FNS) Assessment, Improvement, and Monitoring System,

which was implemented under interim regulations which established four standards to improve the management of the National School Lunch Program and ensure correct claims for federal program reimbursement. These stand-

ards provided that: (1) applications must be correctly approved or denied; (2) the number of meals claimed by each school must be no more than the number of children correctly approved in each school; (3) school recording

systems must yield correct claims for reimbursement; and (4) meals must provide the required food components.

Findings

In the four states which GAO visited, GAO found that the local school food authorities failed to meet the first performance standard because they had more than the 10-percent error tolerance level allowed for invalid applications. In addition, GAO found that the followup review requirements for schools found to be not in compliance may be too lenient. Schools may not meet a performance standard and not be subject to another review for years. GAO found that none of the four states elected to require restitution for inaccurate meal counts on the basis of initial reviews, even though restitution is required. GAO found the second performance standard to be overly lenient as a measure of whether free and reduced-price lunch counts were excessive. In addition, GAO found that the third standard was not consistently applied. Furthermore, GAO found that the fourth performance standard does not ensure that the quantities served to each student comply with the regulations. Finally, GAO found that there is a need for a performance standard covering verification of information on applications, since ineligible children receive free meals because of inaccurate reporting of family income or size.

Open Recommendations to Agencies

The Administrator, FNS, should consider requiring states to take financial action against school food authorities that do not meet the first performance standard that applications for free and reduced-price meals must be correctly

approved or denied, perhaps based on a sliding scale depending upon the extent to which the percent or number of invalid applications exceeds the tolerance set.

Status: Action in process. FNS plans to collect data on the incidence of invalid applications in fiscal year (FY) 1987. Using these data, it will consider options for implementing this recommendation.

The Administrator, FNS, should consider setting a lower tolerance for the National School Lunch Program's first performance standard, because the 10-percent tolerance seems high compared with error-rate tolerances established for the Food Stamp Program.

Status: Action in process. FNS plans to collect data on the number of school food authorities exceeding the 10-percent tolerance in FY 1987. Based on these data, FNS will examine the appropriateness of the 10-percent tolerance level.

The Administrator, FNS, should consider requiring restitution from school food authorities that do not meet Assessment, Improvement, and Monitoring System standards on an initial review.

Status: Action in process. FNS supports the concept of assessing claims based on the severity and longevity of problems. Accordingly, it plans to require restitution for severe and long-standing problems in FY 1987.

The Administrator, FNS, should consider requiring states to test meal counts under the National School Lunch Program's third performance standard to provide a better degree of assurance

that school food authority reimbursement claims are accurate. In addition, the Administrator should provide states additional guidance on what amount of restitution should be required when schools do not have, or use, an approved system for counting meals served.

Status: Action not yet initiated. FNS plans to publish guidance that will implement this recommendation, but it has not established a time frame for doing so.

The Administrator, FNS, should require that the needed guidance for monitoring the requirement that minimum quantities of various types of food be served to qualify for federal reimbursement be developed and provided to the states as long as FNS regulations continue the requirement, and that compliance with the requirement be made a part of the Assessment, Improvement, and Monitoring System.

Status: Recommendation valid/action not intended. Draft guidance was prepared, but final guidance has been postponed indefinitely.

The Administrator, FNS, should develop an additional Assessment, Improvement, and Monitoring System standard for monitoring school food authority compliance with the new program requirement that state agencies verify 3 percent or 3,000, whichever is less, of a school food authority's approved applications for free or reduced-price school meals.

Status: Action in process. Final regulations to implement the standard are awaiting the Office of Management and Budget's clearance and approval.

Housing Assistance and Other Income Supplements

The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better

RCED-84-94, 05/30/84

Background

GAO reviewed the corrective action process used by the Food and Nutrition Service (FNS) to encourage states to solve Food Stamp Program problems.

Findings

GAO found that FNS has taken some actions to help states develop and implement corrective action plans. However, FNS regions had approved some state plans which did not cover all major problems or which proposed corrective actions which were inadequate for solving the problems that were identified. In addition, FNS and the states did not always analyze and summarize all available data to ensure that all identified problems were being addressed in the plans. Of five states reviewed, only one had developed corrective actions for solving most major problems. GAO found that, even when corrective action plans included major problems, the planned solutions were not always adequate. Furthermore, because states and FNS regional offices failed to analyze and summarize the results of local program evaluations, they were unaware of some problems which needed to be addressed. In addition, FNS did not ensure that states' plans were carried out in a timely manner or that the states monitored the effectiveness of planned actions. Three of the five states reviewed had inadequate procedures for monitoring corrective actions or improperly used such procedures. GAO also found that regional offices lacked clear-cut criteria for determining when to warn states that federal funds might be withheld due to errors. Finally, GAO found that

FNS requirements for state management evaluations of local program operations were burdensome and did not cover all recent program changes.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FNS, to notify FNS regional offices and states that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing planned actions should reflect the relative priority for solving each problem.

Status: Action not yet initiated. FNS agreed with the need for timely and comprehensive corrective action plans but has not given priority to carrying out this recommendation.

The Secretary of Agriculture should direct the Administrator, FNS, to assist states to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other FNS regions and to expand that initiative to include the results of management evaluation reviews, as well as quality control reviews.

Status: Action in process. In accordance with this recommendation, FNS is expanding its technical assistance to states. However, it has yet to decide

the specific amount and nature of this assistance.

The Secretary of Agriculture should direct the Administrator, FNS, to analyze at the headquarters level all approved state corrective action plans. Such analyses could give FNS a national perspective on the adequacy of state corrective action plans, offer ideas for further technical assistance, and provide FNS headquarters with the information needed to evaluate and guide regional approval of corrective action plans.

Status: Action not yet initiated. FNS headquarters is receiving, but not routinely analyzing, all state corrective action plans. FNS plans to begin having its Program Integrity Branch begin routine analysis of these plans in the near future.

The Secretary of Agriculture should direct the Administrator, FNS, to notify the states that corrective actions are to be implemented in accordance with approved dates.

Status: Action not yet initiated. FNS agreed with, but has not yet carried out, this recommendation. It plans to do so in fiscal year (FY) 1987.

The Secretary of Agriculture should direct the Administrator, FNS, to ensure that states adequately monitor and evaluate corrective actions as required by FNS regulations. For particularly serious problems, FNS should consider requiring states to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques

should be required to include these as problems in their corrective action plans and correct them just as they would any other program problems.

Status: Action in process. FNS is collecting information on effective monitoring and evaluation and plans to implement this recommendation, based on the information it gathers, sometime in FY 1987.

The Secretary of Agriculture should direct the Administrator, FNS, to use the formal sanction warning process as needed to improve states' administration of the corrective action process. It could be used to encourage states to develop comprehensive plans, carry them out in an effective and

timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.

Status: Action not yet initiated. FNS stated that it would be very deliberate in implementing this recommendation because it fears that extensive reliance on formal warnings might strain federal and state relations. It has, therefore, delayed implementing this recommendation.

The Secretary of Agriculture should direct the Administrator, FNS, to revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help states target their management eval-

uations on those program areas needing the most attention while ensuring adequate review coverage and consistent review efforts among the states. FNS should, as part of this revision to regulations and manuals, add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.

Status: Action in process. FNS plans to revise the regulations which govern management evaluations and is currently in the process of determining how the regulations should be revised. However, it is uncertain about when it will issue revised regulations.

Housing Assistance and Other Income Supplements

Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity

RCED-84-112, 09/11/84

Background

GAO reviewed states' wage-matching activities in the Food Stamp Program to determine whether the Department of Agriculture's (USDA) and states' wage-matching efforts have effectively addressed the benefit overissuance problem. GAO also analyzed the effectiveness of Aid to Families with Dependent Children (AFDC) Program matching operations on a smaller scale.

Findings

GAO found that underreporting of beneficiary earnings is the most significant cause of food stamp overissuances, which currently are about \$1 billion annually. Although congressional requirements to match wages

with external sources can be an effective method for improving the program's integrity, GAO found that wage-matching could be made more effective and efficient through the use of automated procedures, broader program coverage, and effective tolerances in pursuing wage differences. Active federal involvement in guiding and assisting states to improve their matching systems would benefit not only the Food Stamp Program, but also the AFDC Program. Thorough follow-up actions should ensure that appropriate measures are taken to identify and recover overissuances. GAO noted, however, that follow-up action in most of the cases it reviewed was either not taken, was incomplete, or was inappropriate, and the potential benefits from wage matching were not fully achieved.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FNS, to modify FNS regulations concerning increased federal participation in states' cost to develop, install new, or upgrade existing computer systems to require that states' systems retain historical data on participant-reported earnings.

Status: Action in process. USDA intends to examine the issue of state automation and is in the process of deciding whether to revise the regulations on enhanced funding for automatic data processing acquisition. USDA expressed some concern over the lack of data on the cost of retaining historical wage data and intends to follow one state's efforts to find out information in this area.

Housing Assistance and Other Income Supplements Need To Foster Optimal Use of Resources in the Special Supplemental Food Program for Women, Infants, and Children (WIC)

RCED-85-105, 09/27/85

Background

GAO reviewed the Special Supplemental Food Program for Women, Infants, and Children (WIC), which the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) operates. GAO attempted to determine how to obtain the maximum benefit from the use of WIC resources, focusing on: (1) the extent to which state and local WIC agencies attempt to target WIC benefits on the basis of need; (2) FNS procedures for targeting WIC benefits; (3) state and local WIC agencies' verification of applicants' eligibility for benefits; (4) the impact of FNS and state agency fund allocation procedures on state and local program operations and benefits targeting; and (5) opportunities to improve targeting, fund allocation, and eligibility determination procedures to maximize the beneficial impact of WIC resources.

Findings

GAO found that: (1) while WIC benefits targeting is important because WIC is not an open-ended entitlement and some eligible beneficiaries may not be served, FNS has not emphasized targeting as a major policy objective, encouraged states to emphasize targeting, or assessed targeting performance in its evaluations of state and local program administration; (2) WIC agencies are only required to target benefits when they reach the highest participation level that available funds will support; (3) in states with no targeting programs, fewer than half of the WIC beneficiaries were in the eligible groups considered most needy; and (4) FNS allows state WIC agencies to establish their own nutritional risk eligibility criteria and does not

require uniform nutritional risk criteria. GAO also found that: (1) FNS has not established uniform guidance for documenting and verifying applicants' income and family size; (2) state and local procedures for documentation and verification of income eligibility are not always sufficient to ensure that only eligible individuals receive benefits; and (3) state and local agencies rarely verify the accuracy of unsupported income information provided by WIC applicants. In addition, GAO found that: (1) variable funding actions have caused instability in program growth; and (2) this instability, combined with FNS changes in funding allocations formulas and the FNS legal obligation to recover and reallocate unspent WIC funds in any given fiscal year, has created pressures against targeting and effective caseload management at the state and local level.

Open Recommendations to Agencies

The Secretary of Agriculture should require FNS to emphasize targeting as a major policy objective and guiding principle to be followed by state and local WIC agencies in managing their programs, and provide technical assistance to state and local WIC agencies in developing approaches for targeted outreach and effective referral arrangements designed to increase the number of especially vulnerable individuals available to the program on a continual basis.

Status: Action in process. USDA is changing its policy to include targeting as an integrated part of the WIC program, using the priority system as

the foundation, and providing technical assistance to state and local WIC agencies.

The Secretary of Agriculture should require FNS to: (1) include targeting performance as an area for examination in state agency management evaluations of the WIC program; (2) encourage states to consider targeting performance as a basis for evaluating the overall performance of sponsoring local agencies; and (3) use actual targeting and potential for targeting as a basis for selecting additional sponsoring local agencies.

Status: Action in process. USDA is studying the suggestion.

The Secretary of Agriculture should require FNS to undertake and support appropriate targeting initiatives and demonstration projects aimed at developing and testing a variety of targeting tools and strategies that can be used by state and local WIC agencies.

Status: Action in process. USDA has research ongoing to develop strategies that can be used by state and local WIC agencies.

The Secretary of Agriculture should require FNS to seek the advice and assistance of experts in the field of nutrition and related health sciences in evaluating the role of dietary assessment in WIC, particularly as it relates to assessing nutritional risk, and work with those at the forefront of nutrition research to develop dietary screening and assessment techniques appropriate for use in the WIC certification process.

Status: Action not yet initiated. USDA is considering this recommendation.

The Secretary of Agriculture should require FNS to consult with medical authorities and competent professional bodies in and out of government, including such organizations as the World Health Organization, the Department of Health and Human Services, the American Academy of Pediatrics, and the American College of Obstetricians and Gynecologists, in developing uniform standards of risk for use in assessing those conditions, apart from dietary inadequacy, most commonly used to certify WIC applicants and recertify WIC participants. This should include, but not be limited to, standards for diagnosing such conditions as anemia, abnormal growth pattern, including obesity/underweight, chronic infections, adolescent pregnancy, smoking, and use of alcohol, caffeine, and other potentially harmful substances.

Status: Action not yet initiated. USDA is considering this recommendation.

The Secretary of Agriculture should require FNS to issue additional policy guidance on the need for full documentation of all nutritional risk conditions used as a basis for WIC certifications, where this would be feasible. FNS should routinely check the extent of such documentation as part of its evaluations of state and local WIC programs.

Status: Action not yet initiated. USDA is considering this recommendation.

The Secretary of Agriculture should require FNS to promulgate regulations requiring documentation of the sources and amounts of WIC applicant-reported income and family size. Copies of applicant-provided income documentation, such as pay stubs, voluntarily provided tax records, and unemployment compensation checks, should be retained in each casefile or, when this is not feasible, should be described in detail in the casefile. To document

family size, documents such as federal or state income tax returns, employee benefit policies, health or life insurance policies, court or church records, or, in the absence of these, applicant affidavits would seem acceptable. For applicants who could be accepted as income-eligible for WIC on the basis of reported participation in some other qualifying benefit program, evidence of current participation should be required.

Status: Action in process. Estimated completion date: 06/88. WIC research is ongoing, as well as a 2-year study on WIC entitled "Focus on Management".

The Secretary of Agriculture should require FNS to focus greater attention on the income eligibility determination component of the WIC certification process through specific coverage of this aspect during the management evaluations periodically conducted by FNS regional offices. In addition to assessing state agency policies and procedures in this area, the management evaluations should include the examination of a sample of local agency casefiles to test for compliance with federal and state requirements and to review the accuracy and reliability of income eligibility determinations.

Status: Action in process. Studies are currently being done to focus on this issue.

The Secretary of Agriculture should submit, for congressional consideration, proposed legislation to eliminate the existing statutory requirement that the Secretary reallocate WIC program funds periodically if it is determined that a state agency is unable to spend its allocation within a given program year.

Status: Action not yet initiated. USDA agreed with this recommendation, but it has not proposed legislation.

The Secretary of Agriculture should study the extent to which WIC state agencies should be permitted to carry over unexpended grant funds from one program year to the next, and propose legislation to authorize such carryover

of funds as may be deemed appropriate. The proposed legislation should also authorize the Secretary to recover and reallocate WIC funds when projected underexpenditures exceed the allowable carryover or in other circumstances where such action may be deemed appropriate.

Status: Action in process. USDA agreed with this recommendation, but it has not proposed legislation. During the 99th Congress, the House and Senate passed legislation that included language similar to this recommendation. However, that language was deleted from the bill in conference.

The Secretary of Agriculture should require FNS to require WIC state agencies to routinely include information on the planned categorical and priority risk composition of participant caseloads in expenditure plans submitted to FNS, and require FNS to use these data, in combination with reported data on actual caseload and priority risk composition, to negotiate workable targeting objectives with the states and monitor and assess states' targeting performance.

Status: Action not yet initiated. USDA is considering this recommendation.

The Secretary of Agriculture should require FNS to explicitly recognize WIC program targeting achievements, with proper notice and sufficient leadtime to states, in the assessment of state agency performance and decide on funding allocations that could lead to more effective resource management and provide tangible incentives for states to improve their targeting performance.

Status: Action in process. USDA issued proposed regulations in September 1986 to revise the current funding formulas to stress targeting achievements by states. Final regulations are expected to be issued in June 1987. Congress has enacted legislation that requires USDA to distribute funds to states that emphasize a high degree of targeting.

Housing Assistance and Other Income Supplements

Rental Housing: Costs and Benefits of Financing With Tax-Exempt Bonds

RCED-86-2, 02/10/86

Background

Pursuant to a congressional request, GAO reviewed the use of tax-exempt bonds in financing the construction and rehabilitation of multifamily rental housing, specifically: (1) how much the program costs the federal government; (2) whether projects financed with tax-exempt bonds are complying with occupancy requirements for low- and moderate-income households; and (3) who benefits from the program and how.

Findings

GAO noted that: (1) in 1980, Congress added a requirement that 20 percent of the units in each bond-financed rental project be targeted for occupancy by low- or moderate-income households; (2) growing amounts of tax revenue are being lost because of the increased use of tax-exempt bonds to finance rental housing construction; and (3) the use

of bonds increased as interest rates increased. GAO found that: (1) the present value cost from the issuance of \$10 billion in bonds in 1983 and 1984 totalled about \$2.3 billion; (2) in the projects it visited, at least 20 percent of the units were occupied by low- or moderate-income tenants, but the income levels of these tenants normally exceeded the national average renter income; (3) some housing authorities did require an adjustment for household size; (4) 12 of 48 projects would not have met the 20-percent requirement if qualifying incomes had been adjusted to reflect household size; and (5) the median income figure used to determine eligibility was the median income of all households, including renters and homeowners. GAO also found that: (1) rents for some households were reduced either to comply with local laws or to attract enough tenants to meet the 20-percent requirement; (2) all renters would benefit from the program if market rents fall because of an increase in

the supply of rental housing; and (3) although 25 percent of the new rental housing in 1983 and 1984 was financed with tax-exempt bonds, bond-financed units built since 1975 represent only 2 percent of the total rental housing supply.

Open Recommendations to Agencies

The Secretary of the Treasury should amend the implementing regulations of the Internal Revenue Code to require that an adjustment be made for household size when identifying a household's income as low or moderate.

Status: Action in process. Treasury issued proposed regulations in November 1985.

Housing Assistance and Other Income Supplements

Rural Housing: Opportunities To Reduce Costs and Better Target Assistance

RCED-86-33, 02/18/86

Background

GAO discussed a variety of measures that the Farmers Home Administration's (FmHA) county offices could take to reduce housing costs and target more assistance to very low-income households and those occupying substandard housing.

Findings

GAO found that: (1) FmHA county offices generally did not adopt cost reduction measures suggested in FmHA guidelines; (2) as of October 1, 1985, FmHA had not issued regulations to extend the mortgage period from 33 to 38 years and to finance manufactured/mobile homes,

which would have enhanced the targeting of very low-income households; (3) many of the FmHA county offices did not follow the guidance provided for increasing targeting to very low-income households and reducing costs because it was not mandatory; and (4) a variety of measures might be taken to help improve program targeting to very low-income households. The FmHA nation-

al office provided guidance proposing that county offices initiate outreach programs to locate more eligible very low-income households in need of adequate housing; however, GAO found that about half of the county offices did not initiate outreach programs. According to the 1980 census, more than 2 million rural households occupied substandard housing. The FmHA national office also provided guidance to its county offices on a number of suggested measures to reduce housing costs by 15 percent, which would help more very low-income households qualify for loans and reduce program costs, but few county offices followed the guidance. In 1984, most county offices were financing houses similar to those they financed in 1983, and housing costs had not been reduced.

Open Recommendations to Agencies

The Secretary of Agriculture should implement regulations to extend the

mortgage period from 33 to 38 years and to finance manufactured/mobile homes.

Status: Action in process. Estimated completion date: 01/87. The Department of Agriculture (USDA) approved regulations to finance mobile homes in November 1986. Regulations to extend the mortgage period from 33 to 38 years should be approved in January 1987.

The Secretary of Agriculture should consider the merits of a variety of measures that could be taken to reduce housing costs, which include: (1) limiting housing size, establishing occupancy levels, and relating size limits and occupancy levels to the number of bedrooms in houses financed, in a manner similar to the criteria in the FmHA section 515 multifamily housing program; (2) eliminating certain

features, such as bay windows, sliding glass doors, decks, and half-baths, where appropriate; (3) increasing the use of townhouses and duplexes; (4) financing houses built to the fair construction standards to ensure uniform-quality housing among all offices; and (5) increasing the financing of suitable, less expensive, existing houses from the private market.

Status: Action in process. Estimated completion date: 03/87. USDA issued an instruction on November 7, 1985, to eliminate costly features and increase the use of townhouses and duplexes. Training was given to ensure not exceeding fair construction standards. Regulations to limit house size, occupancy levels, relating size and occupancy levels to the number of bedrooms, and increase financing of existing private homes should be approved by March 1987.

Housing Assistance and Other Income Supplements

HUD's Methods of Determining Fair Market Rents

RCED-86-209, 08/22/86

Background

In response to a congressional request, GAO reviewed the Department of Housing and Urban Development's (HUD) method of determining fair market rents for its rental assistance program.

Findings

GAO found that: (1) HUD establishes the base level of rent by using the census, the American Housing Survey, and the consumer price index; (2) because HUD recognizes that limitations exist

in its data, its procedures provide for appeals to improve its rent estimates; (3) HUD headquarters and field offices may take different actions regarding appeals that could result in disparities in the levels of rent allowed for new and existing units; and (4) HUD does not maintain data concerning possible disparities in allowed rent levels such as exist in Suffolk County, New York.

Open Recommendations to Agencies

The Secretary, HUD, should determine: (1) the appropriate levels of rent for new

and existing units in Suffolk County which will resolve the rent disparities; and (2) whether similar rent disparities exist in other areas of the country, and take actions as appropriate to resolve them and to minimize their recurrence.

Status: Action in process. HUD has determined the appropriate rent levels for Suffolk County and is in the process of determining whether disparities exist in other locations.

Housing Assistance and Other Income Supplements

Housing for the Elderly: HUD's Cost Containment Program Could Be More Effective

RCED-86-106, 09/09/86

Background

In response to a congressional request, GAO: (1) reviewed the effectiveness of the Department of Housing and Urban Development's (HUD) initiatives to control elderly housing program costs; (2) assessed whether additional opportunities existed for further cost control; and (3) identified the beneficiaries of the program.

Findings

GAO found that: (1) HUD projects under its cost-containment initiatives were more modest and had 16-percent lower average unit costs than projects built before HUD implemented the initiatives; (2) HUD would have needed \$100 million more to fund the housing units in 1985 if it had not reduced its costs; (3) HUD could have further reduced its costs by requiring that the supplemental cost-containment provisions be applied to all projects, selecting projects with the most modest designs, and increasing the number of less-costly efficiency units in projects; and (4) the majority of the program

beneficiaries were individuals who were single and who had very low incomes.

Open Recommendations to Agencies

To provide greater consistency in the application of cost containment, the Secretary, HUD, should select a sample of projects for compliance review from each of its field offices.

Status: Action not yet initiated. HUD is in the process of preparing its response.

The Secretary, HUD, should reexamine whether the HUD policy of allowing waivers to its efficiency requirement should be continued.

Status: Action not yet initiated. HUD is in the process of preparing its response.

To further control and reduce the cost of the section 202/8 program, the

Secretary, HUD, should adjust rents for efficiencies to make these units more financially feasible for sponsors to construct and operate.

Status: Action not yet initiated. HUD is in the process of preparing its response.

To further control and reduce the cost of the section 202/8 program, the Secretary, HUD, should change the project selection process to give greater consideration to costs. Specifically, HUD should elevate the importance of cost-modest design in project selection by utilizing a two-tiered approach whereby projects found acceptable in tier one on the basis of such factors as financial or operational capacities would compete for selection in tier two on the basis of modest design and project site cost, commensurate with area needs.

Status: Action not yet initiated. HUD is in the process of preparing its response.

Other Income Security

HHS Needs To Determine If Massachusetts' AFDC Program Meets Federal Requirements and, If Not, Take Compliance Action

HRD-84-8, 07/09/84

Background

GAO discussed its findings regarding the Massachusetts Department of Public Welfare's administration of the Aid to Families with Dependent Children (AFDC) program.

Findings

GAO found that the Department made erroneous AFDC payments in 1981, 1982, and 1983 and that the federal share of these payments was over \$3 million. In 1981, the Department: (1)

made estimated payments of \$168,000 to ineligible AFDC dependents, aged 18 through 20, who were not regularly attending school, and to refugees for whom reimbursements were claimed under the Refugee Act beyond the act's

3-year payment limit; (2) made estimated AFDC payments of \$240,000 to ineligible dependents aged 21 years or older and took an average of more than 6 months to adjust benefits after these dependents became ineligible; and (3) recorded an estimated 61 percent of the dependents' eligible status incorrectly in the automated welfare files. From February 1982 to August 1983, the Department experienced related problems in implementing federal requirements and made erroneous payments of which the federal share was \$2.8 million. GAO found that the Department has experienced substantial data problems in its automated welfare files, such as erroneous or missing social security numbers and incorrect information about dependents' status. Further, there is no provision for automated cross-referencing between the separate files maintained on recipients and dependents, and there is no tracking system to ensure that caseworkers follow through to update case files.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of Social Security to

ascertain whether the Massachusetts Department of Public Welfare has taken effective action to validate and correct AFDC dependent case information in its automated welfare master files.

Status: Action in process. Estimated completion date: 01/87. Massachusetts is testing a variety of approaches to validate file information. The Department of Health and Human Services (HHS) expects action on this recommendation to be completed by December 1986.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to record U.S. entry dates for all refugee recipients and dependents in its automated welfare master files.

Status: Action in process. Estimated completion date: 01/87. The Massachusetts plan to implement this recommendation through its new Deficit Reduction Act system. HHS expects action on this recommendation to be completed by December 1986.

The Secretary of Health and Human Services should direct the

Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to develop, for those cases identified as requiring changes, a tracking system to ensure that caseworkers follow through in making the changes.

Status: Action in process. Estimated completion date: 01/87. Testing of the priority action listing includes a tracking system. HHS expects action on this recommendation to be completed by December 1986.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to emphasize that field offices act to remove ineligible dependents from cases, adjust benefits accordingly, and otherwise improve case maintenance activities.

Status: Action in process. Estimated completion date: 01/87. A desk review guide is being tested to direct an appropriate action and monitoring plan. HHS expects action on this recommendation to be completed by December 1986.

Other Income Security

Social Security: Pension Data Useful for Detecting Supplemental Security Payment Errors

HRD-86-32, 03/12/86

Background

GAO evaluated the Social Security Administration's (SSA) computerized employment pension income data base to determine its potential usefulness in detecting payment errors in the Supplemental Security Income (SSI) Program.

Findings

Based on its sample results, GAO estimated that, in December 1983: (1) 35,112 SSI cases received pension incomes; and (2) 6,292 cases were overpaid a total of \$427,200 because benefit payments were computed using incorrect pension income information.

At a 95-percent level of statistical confidence, the number of SSI cases receiving unreported or underreported pension incomes could range from 4,915 to 8,053, and the monthly overpayment amounts could range from \$266,400 to \$588,000. SSA data showed that: (1) most of the cases involved pension-related overpayments that had been

occurring for extended periods, some exceeding 10 years; and (2) the 62 overpayment sample cases had accumulated about \$170,000 in overpayments. GAO estimated that accumulated overpayments for such SSI cases in December 1983 could total \$17.2 million.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Acting Commissioner of Social Security to perform a computer match patterned after a GAO pilot test and consider subsequent periodic matches of the entire SSI benefit file and the W-2P pension file to identify potential overpayment cases.

Status: Action in process. The Department of Health and Human Services (HHS) made the first partial match in October 1986, and plans to complete it in December 1986.

The Secretary of Health and Human Services should direct the Acting Commissioner of Social Security to investigate and resolve, in accordance with existing agency policies and procedures, the cases identified.

Status: Action in process. HHS plans to forward identified cases to its field offices for investigation and resolution.

The Secretary of Health and Human Services should direct the Acting Commissioner of Social Security to com-

ply with all applicable privacy and due process regulations.

Status: Action in process. HHS plans to comply with privacy and due process requirements, including contacting the recipients when investigating and resolving identified cases.

The Secretary of Health and Human Services should direct the Acting Commissioner of Social Security to attempt to determine what caused the payment errors and whether corrective actions can be taken to prevent their recurrence.

Status: Action in process. HHS plans to determine payment error causes and, where feasible, develop corrective actions to prevent recurrence.

Unemployment Compensation Need To Improve Internal Controls To Curtail Fraud and Abuse in the RRB Unemployment and Sickness Insurance Program

HRD-85-37, 02/27/85

Background

GAO assessed the Railroad Retirement Board's (RRB) controls for preventing and detecting fraud and abuse in its Unemployment and Sickness Insurance (SI) Program.

Findings

The program paid out about \$1.4 billion in benefits during the last 5 years to one million qualified rail workers who became unemployed or were absent from work due to sickness. GAO found that, although 38 states collect wage records against which RRB could detect instances of persons working in nonrail employment while collecting unemploy-

ment or sickness benefits, RRB does not attempt to make such detections. Further, RRB does not have procedures to notify a rail employer that a claimant has filed for unemployment benefits. GAO also found that RRB makes no attempt to identify the prevalent problem of employees' claiming benefits using another person's record. GAO noted that RRB internal controls over sickness claims are also vulnerable to fraud or abuse.

Open Recommendations to Agencies

RRB should, if it finds that implementation is feasible and cost-beneficial,

require as a minimum some form of additional control to verify sickness claims.

Status: Action in process. Estimated completion date: 11/87. Procedures to verify physicians' tax ID numbers were made part of the RRB Medical Information Improvement Project, which includes new disability norms and other SI claims control procedures. Implementation of the project was delayed because of priority project income tax reporting. Implementation is now scheduled for November 1987.

International Affairs

Conduct of Foreign Affairs

Need To Improve Management of ACDA's Automatic Data Processing and Operations Analysis Functions

NSIAD-83-66, 09/30/83

Background

In response to a congressional request, GAO examined the management of computer-based support functions at the Arms Control and Disarmament Agency (ACDA).

Findings

GAO found that, at the end of fiscal year (FY) 1982, ACDA: (1) abolished its Office of Operations Analysis (OA); (2) transferred its analysts to other parts of ACDA and gave them new titles; (3) cancelled its contract for a DEC-20 computer; and (4) kept its small Wang computer and purchased timesharing services from other agencies. ACDA stated that OA was abolished, in part, to help

cope with a FY 1983 budget reduction and claimed that over \$1.3 million was saved in FY 1983 by relocating the facility. However, GAO estimated that only about \$683,000 in savings can properly be attributed to ACDA actions regarding OA and computer support. GAO found that, currently, ACDA does not adequately plan for or evaluate the use of automatic data processing (ADP) systems. Moreover, ACDA is not complying with Office of Management and Budget (OMB) guidance on computer security, although GAO is unaware of any loss of data. Within ACDA there is disagreement concerning the adequacy of operations analysis capabilities to meet future needs. Further, ACDA has limited access to Department of Defense operations analysis resources.

Open Recommendations to Agencies

The Director, ACDA, should establish a computer security program which complies with Transmittal Memorandum Number 1 to OMB Circular A-71.

Status: Action in process. Documents provided by ACDA and conversations with ACDA officials indicate that ACDA: (1) intends to carry out this recommendation; and (2) has made substantial progress.

Conduct of Foreign Affairs

Need for Internal Control Improvements at ACDA, Including Adequate Internal Audit Coverage

NSIAD-83-68, 09/30/83

Background

GAO reviewed internal controls and audit coverage at the Arms Control and Disarmament Agency (ACDA), focusing on its compliance with legislative and administrative directives.

Findings

GAO found that ACDA has only recently begun to implement key internal control requirements set forth in Office of Management and Budget (OMB) Circular A-123. GAO also found

that ACDA has no internal audit staff and that its internal audit coverage does not meet the requirements for expanded-scope auditing set forth in OMB Circular A-73. In addition, GAO found that ACDA has not comprehensively analyzed its authorizing legislation to determine whether it is meeting required mandates. Finally, GAO found that ACDA has not complied with reporting requirements under the Arms Control and Disarmament Act concerning the verifiability of arms control proposals.

Open Recommendations to Agencies

The Director, ACDA, should correct the matters discussed in this report related to assessing all of the ACDA legislative authorities.

Status: Action in process. The ACDA Director is committed to fulfilling this recommendation.

Conduct of Foreign Affairs

Implementation of Trade Restrictions for Textiles and Apparel

NSIAD-84-18, 11/04/83

Background

In response to a congressional request, GAO reviewed the current administration of the Multifiber Arrangement (MFA), an international agreement that provides the legal framework for regulating textile trade.

Findings

In the United States, MFA is implemented by the Committee for the Implementation of Textile Agreements (CITA) which consists of representatives from the Departments of Commerce, State, Labor, and the Treasury, and the Office of the U.S. Trade Representative. CITA determines whether and when to request consultations with an exporting country about restricting its exports of a particular category of textiles or apparel. GAO found that the structure of the decisionmaking process within

the administration and CITA is generally adequate. However, weaknesses in information on the domestic economy lessen the persuasiveness of market disruption statements which are required with each request for consultation on restricting imports. The data for these statements are collected annually and, therefore, are too old to reflect current conditions. They are not compatible with the categories in the consultation requests and contain only vague assertions as to the current state of the market for the category in question.

Open Recommendations to Agencies

The Secretary of Commerce should direct the Chairman, CITA, to arrange with the Bureau of the Census to begin collecting data compatible with MFA

categories on a quarterly basis. If the Census Bureau finds that information obtained from domestic manufacturers on a voluntary basis is not sufficient for statistical validity, then the Secretary of Commerce should request Congress to enact legislation making such response mandatory.

Status: Action in process. Commerce directed the Census Bureau to draft legislation requiring mandatory quarterly reporting of domestic production data compatible with MFA categories. Legislation was referred in the 1985 session to the House and Senate committees. H.R. 2721 was passed and was signed by the President. The Census Bureau, pending OMB approval, expects to begin data collection in calendar year 1987.

Conduct of Foreign Affairs

The Audit and Inspection Functions at the United States Information Agency Need Management Attention

NSIAD-84-14, 04/04/84

Background

GAO reviewed the audit and inspection functions at the U.S. Information Agency (USIA).

Findings

GAO found that the effectiveness of audit activity at USIA was impaired because: (1) there was a lack of timely compliance with audit recommendations; (2) the audit function was

not properly located within the organizational structure of USIA; (3) there was insufficient funding and staffing of audit activities; and (4) the scope of audit activities was inadequate. USIA has not implemented an audit recommendation resolution system, and GAO identified numerous recurring management problems in such areas as personnel, payroll, travel, cash, property, contract, and grant management. In addition, GAO found perceptions through-

out USIA that the inspection function was ineffective because: (1) inspectors did not use adequate criteria, standards, and methods; (2) inspectors had preconceived ideas about programs that hindered their ability to apply objective inspection criteria; and (3) inspectors recommended actions which would not be effective. GAO was unable to independently assess the inspection function at USIA because of a lack of sufficient documentation.

Open Recommendations to Agencies

The Director, USIA, should develop and implement an effective audit recommendation and follow-up compliance system adhering to Office of Management

and Budget Circular A-50 and the Comptroller General's resolution standards and have IG monitor the effectiveness of the system.

Status: Action in process. The system is being transferred from a manual system to a computer-based system. IG

stated that he is aware of this requirement and is making efforts to get a new data processing program installed to comply with this recommendation. A completion date has not been established.

Conduct of Foreign Affairs

Accurate and Complete Subcontract Data Needed To Assess International Agreements on Defense Procurement

NSIAD-85-30, 12/13/84

Background

In response to a congressional request, GAO reported on improvements needed in the Department of Defense's (DOD) subcontract-level reporting system, a data collection system which requires prime contractors and subcontractors to report foreign-source purchases valued at more than \$10,000.

Findings

The DOD international acquisitions staff has reported that, at present, one person works on the system as a collateral duty, and at least one full-time person is needed to properly operate the system. Furthermore, the use of computers would reduce the time needed to compile the information and the potential for error. GAO found that: (1) efforts to encourage compliance with the reporting system have not been fully successful; (2) because contractors have not submitted required reports, the validity of the data developed by the system may have been lessened; (3) the international acquisitions staff has not instituted a method for assessing compliance with the system; (4) the

system's method for indicating whether a procurement is domestic or foreign-source can result in incomplete information; (5) by excluding contracts for commercial items, the reporting system overstates the U.S. trade surplus because it collects no information on a significant and growing category of procurements; and (6) many firms are not using the reporting form required by the system but are supplying the information through letters.

Open Recommendations to Agencies

The Secretary of Defense should revise the DOD supplement to FAR and, when necessary, Form DD-2139 to require that the subcontract-level reporting system use country of origin rather than principal place of performance to indicate foreign-source procurements.

Status: Action in process. Estimated completion date: 12/86. DOD revised the reporting regulations and the form to reflect this recommendation. The new

form and regulations would require prime contractors to use country-of-origin to indicate foreign-source procurements. This change will be included in a forthcoming defense acquisition circular.

The Secretary of Defense should revise the DOD supplement to FAR and, when necessary, Form DD-2139 to require that contractors receiving contracts for commercial items report on subcontracts meeting the value threshold for reporting, except procurements of ores, natural gas, utilities, petroleum products and crudes, timber, and subsistence items.

Status: Action in process. Estimated completion date: 12/86. DOD has revised the reporting regulations and the form to reflect this recommendation. The new form and regulations would require prime contractors receiving contracts for commercial items to report on subcontracts meeting the threshold.

Conduct of Foreign Affairs

Key Issues Concerning Department of State's New Financial Management Centers

NSIAD-85-97, 06/05/85

Background

Pursuant to a congressional request, GAO reviewed the Department of State's efforts to establish financial management centers (FMC) overseas, including: (1) the adequacy of transition plans for integrating the new centers with the existing regional centers; (2) the effect of personnel and equipment problems on establishing the new centers; and (3) the costs associated with establishing the new centers.

Findings

GAO found that: (1) the plans to implement the new financial management system did not address how currency buying will be carried out and how staffing reassignments will be handled; (2) overall costs to open FMC have been understated; and (3) State has not yet decided which overseas posts FMC will service and which posts regional administrative management centers (RAMC) will service. GAO also found that: (1) State increased its efforts to recruit and train sufficient personnel to staff new FMC; (2) the lack of availability of repair parts and service personnel for computer equipment affected operations; and (3) cost benefit analyses performed early in the program may not be valid because the system's design has been changed numerous times.

Open Recommendations to Agencies

The Secretary of State should direct the Under Secretary of Management to closely monitor the schedule for establishing FMC and to modify it if problems arise.

Status: Action in process. The office responsible for opening FMC is in frequent contact with operating FMC, as well as those posts scheduled to be FMC. State modified the schedule for opening FMC somewhat in response to Gramm-Rudman-Hollings cuts and changes at posts scheduled to become FMC.

The Secretary of State should direct the Under Secretary of Management to resolve which posts FMC will service and which posts RAMC will service and determine how the smaller posts will receive maximum benefits.

Status: Action in process. State established which posts RAMC and FMC will service. State recently started design work for a system to provide smaller posts with the benefits of the new Financial Management System.

The Secretary of State should direct the Under Secretary of Management to ensure that RAMC transition plans are prepared which consider the impact FMC will have on RAMC.

Status: Action in process. State told GAO that the plan was developed and sent forward for approval. After the plan is approved, State will provide GAO with a copy. According to State officials, the plan calls for increasing RAMC role in State's overseas office automation program as its role in non-payroll financial transactions decreases.

The Secretary of State should direct the Under Secretary of Management to resolve the issue of how currency buying will be performed so that the

impact on RAMC and FMC can be taken into consideration.

Status: Action in process. State already changed a couple of currency buying arrangements and plans to review others on a case-by-case basis, as time and resources permit.

The Secretary of State should direct the Under Secretary of Management to ensure that actions are begun immediately to resolve the issue of the future long-term role of RAMC.

Status: Action in process. The future long-term role of RAMC is detailed in the RAMC transition plan mentioned in an earlier recommendation. State agreed to provide GAO with a copy of the plan as soon as it is approved. The Deputy Assistant Secretary of State told GAO that RAMC will evolve into office automation assistance centers as well as continue as payroll centers.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to quantify the need for and availability of qualified budget and fiscal officers, relate shortfalls to recruiting and training plans, and take appropriate action where needed.

Status: Action in process. State began a formal program to hire specialist budget and fiscal officers but recently suspended it. Meanwhile, Gramm-Rudman-Hollings cuts reduced overall hiring. Currently, new hiring goals are being developed. One new training course is being given and others are being developed.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to update foreign service national classification standards to reflect work performed at FMC.

Status: Action in process. State awarded a contract to have the foreign service national classification standards reviewed and, if necessary, rewritten. The survey is expected to be completed in the spring of 1987.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to require post systems managers to start collecting data on use of post computer resources.

Status: Action in process. Some data is now being collected and additional data will be collected as soon as a new system is available from the computer manufacturer.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to ensure that the Department initiatives to resolve its computer maintenance problems are pursued to minimize potential adverse impact on FMC operations.

Status: Action in process. State amended the current maintenance contract to provide for improved service in the near term and plans to require even better service when it negotiates a new contract in the next couple of months.

The Secretary of State should identify and track the total costs of FMC development.

Status: Action in process. State hired a systems accountant in May 1986, specifically for the Financial Management System program. He is beginning to perform some cost accounting work.

The Secretary of State should reevaluate the costs and benefits of FMC as implementation progresses.

Status: Action in process. In January 1986, State reviewed the cost of the entire Financial Management System program to prepare for its Gramm-Rudman-Hollings cuts and developed several options. State decided to continue opening FMC, but revised the approach somewhat in an attempt to save money. Now that a systems accountant is on board, State is in a better position to reevaluate the costs and benefits of each FMC.

The Secretary of State should determine whether the local disbursing capability is needed and cost-effective at all 20 designated FMC.

Status: Action in process. While State believes that it is necessary to keep the disbursing and accounting functions together, at the same time it lacks cost information to determine whether it is cost-effective.

Conduct of Foreign Affairs

U.S.-Canadian Joint Effort Helps To Revitalize Great Lakes Fishery

NSIAD-85-106, 07/08/85

Background

Pursuant to a congressional request, GAO reviewed the administration and effectiveness of the Great Lakes Fishery Commission (GLFC) to determine: (1) the extent to which GLFC activities have improved the Great Lakes fisheries; (2) the timeliness and effectiveness of research studies; (3) the process by which U.S. positions on GLFC issues are formulated; (4) the effectiveness of U.S. commissioners; (5) the extent to which alternate commissioners have been used; and (6) the dis-

position of unused appropriated funds and the interest earned on them.

Findings

GAO found that the efforts of GLFC, specifically its sea lamprey programs, have contributed significantly to increased Great Lakes fish stocks. Since authority to manage the Great Lakes remains with federal, state, and provincial governments, GLFC has assumed the role of sponsor and facilitator rather than manager. However, the research program has been criticized because a

large number of research projects have been awarded to members of the GLFC technical advisory board, creating the impression of conflicts of interest. In addition, the program has been criticized because research projects have not been timely completed. GAO also found that: (1) while U.S. commissioners' backgrounds are primarily generalist in nature, Canadian commissioners are more scientifically oriented; (2) GLFC decisions are rendered by group consensus rather than by separate unified positions formulated by each country; (3) U.S. commissioners have frequently

been absent from GLFC meetings, primarily due to illness; (4) GLFC has not used its authorization to fill temporary vacancies because most absences have been unexpected in nature; and (5) in fiscal year 1984, GLFC had an operating budget of approximately \$7 million, supplemented by about \$1.1 million of unused funds, including earned interest, accumulated over the period of 1979 through 1984. The unused fund balance represented about 16 percent of the 1984 annual budget.

Open Recommendations to Agencies

The Secretary of State should instruct the Executive Director of the Bureau of Oceans and International Environment and Scientific Affairs to renew the Department of State's efforts to have GLFC: (1) apply unused funds against next year's budgeted expenses, in accordance with GLFC regulations; and (2) provide for a working capital fund,

based on a percentage of its annual budget, to serve as a hedge against unanticipated shortfalls in funds.

Status: Action in process. Estimated completion date: 12/86. Discussions will be held at the Executive Session of the U.S. and Canadian Commission Interior Meeting in Toronto, Ontario, December 2 and 3, 1986.

Conduct of Foreign Affairs

State Department and USIA Ship Travel and Travel Advances

NSIAD-85-130, 09/11/85

Background

In response to a congressional request, GAO examined travel practices at the Department of State and the U.S. Information Agency (USIA) to determine whether they were in accordance with applicable laws and regulations and in the government's best interest.

Findings

GAO found that about 260 foreign service travelers used ship transportation during fiscal years 1982 through 1984 at a cost of \$556,232 when air fares for the same travel would have cost about \$160,047. Although the Foreign Affairs Manual encourages air travel, ship travel is authorized. GAO also found that both State and USIA had \$13.6 million in outstanding travel advances, and accounts totalling at least \$876,662 have been written off during 1984 and 1985. These delinquencies and write-offs have resulted from problems in accounting for, controlling, and monitoring travel advances. Although travelers are required to submit a travel reimbursement voucher and remit a refund within 30 days following travel, GAO found accounts that were outstanding for up to 7 years. In addition,

GAO found that: (1) travel account records are of questionable accuracy because data are either missing or have not been entered into the computer system in a timely manner or have been miscoded; (2) although State and USIA have made efforts to correct travel advance accounts, many accounts remain delinquent; and (3) both agencies have insufficient staff to manage the travel work load. Finally, GAO found that: (1) travel claims lacked required justification and documentation; (2) travelers were reimbursed for averaged expenses when they should have been reimbursed for actual expenses; and (3) travelers often submitted late vouchers.

Open Recommendations to Agencies

The Secretary of State and the Director, USIA, should: (1) revise travel regulations for home leave and transfer travel to require a cost comparison on all transportation costs between the points of origin and destination; and (2) require the traveler to pay the difference between the least costly method,

which provides reasonable travel comfort and safety, and any other travel route or mode the traveler chooses. Regulations should preclude ship travel unless required for medical reasons or unless the traveler pays additional costs.

Status: Action in process. Travel regulations are being changed in the Foreign Affairs Manual for the Department of State and USIA.

Target: Department of State

The Secretary of State and the Director, USIA, should reconcile all delinquent travel advance accounts immediately and take the necessary steps to ensure that travel advances are properly managed in the future.

Status: Action in process. State and USIA actions are in process. State contracted with outside firms to reconcile accounts. The General Services Administration (GSA), New Orleans, will do travel vouchers and travelers will be issued Diners Club cards with no advances in the future.

Target: Department of State

Status: Action in process. State and USIA actions are in process. State contracted with outside firms to reconcile accounts. GSA, New Orleans, will do traveler's vouchers and travelers will be issued Diners Club cards. No advances will be issued in the future.

Target: United States Information Agency

The Secretary of State and the Director, USIA, should reemphasize to authorizing and certifying officers the importance of enforcing existing regulations.

Status: Action in process. Regulations will be incorporated in the Foreign Affairs Manual.

Target: Department of State

Conduct of Foreign Affairs

Department of State's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-135, 09/25/85

Background

GAO reviewed the Department of State's compliance with the Federal Managers' Financial Integrity Act of 1982 (FIA) to assess: (1) whether actions taken as a result of the act are improving internal control and accounting systems; (2) its progress in implementing a program for evaluating systems of internal control; and (3) the reasonableness of State FIA reports.

Findings

GAO noted that State is making progress toward correcting reported internal control weaknesses; however, it has not made adequate progress in correcting long known weaknesses and accounting deficiencies related to personal property management. GAO found that: (1) the 1984 report on accounting systems stated that the systems were not in conformance with Comptroller General requirements; (2) areas excepted from the report on internal controls were of major importance to State operations; (3) the FIA implementation program has not resulted in detailed evaluations and tests of all systems of internal control; (4) effective action has not been taken to correct accounting and internal control weaknesses in personal property management; and (5) specific problems were not listed in the FIA report, but the report made reference to the problems and characterized them as minor accounting

deficiencies. GAO also found that: (1) controls over personal property management were not adequate because of the lack of a departmentwide system for managing and accounting for property; (2) State failed to perform physical inventories at all locations and reconcile the inventories to financial records; (3) some vulnerability assessments and internal control reviews were not completed and analyzed by the year's end; and (4) no formal requirements exist to review the reasonableness of proposed corrective actions or to test and evaluate their effectiveness after implementation.

Open Recommendations to Agencies

To correct accounting conformance problems and improve internal control in this area, the Secretary of State should direct the Under Secretary for Management and the Assistant Secretary for Administration and Security to design and implement, at all domestic and foreign locations, a personal property accounting system that will conform to the Comptroller General's requirements.

Status: Action in process. Estimated completion date: 12/89. State plans to begin distributing worldwide software for an automated personal property management system by early 1987 and request that it be implemented. State

plans to develop and implement the general ledger portion of its financial management system by 1989.

To correct accounting conformance problems and improve internal control in this area, the Secretary of State should direct the Under Secretary for Management and the Assistant Secretary for Administration and Security to develop and implement procedures to ensure that inventories are taken and reconciled annually at all locations as required by State regulations, including conducting periodic supervisory visits. Moreover, Assistant Secretaries and office heads should be required to certify annually that inventories of personal property have been taken and reconciled at all headquarters, other domestic and foreign locations under their purview, or to explain why these inventories and reconciliations were not performed.

Status: Action in process. Estimated completion date: 12/87. State plans to revise its Foreign Affairs Manual (FAM) to require foreign locations to certify to their geographic bureau, annually, that inventories were taken and reconciled. It requested foreign posts to do this in FY 1986. It also plans to revise FAM to require domestic offices to certify annually the taking and reconciling of inventories.

Conduct of Foreign Affairs

Export Promotion: Activities of the Commerce Department's District Offices

NSIAD-86-43, 02/14/86

Background

Pursuant to a congressional request, GAO reviewed the mission, activities, and effectiveness of the Department of Commerce's district offices.

Findings

GAO noted that: (1) the primary goal of district offices is to assist small firms in developing their export potential; (2) in recent years, district offices have devoted an increased portion of their resources to assisting businesses in complying with export control regulations; and (3) Commerce tracks its success by measuring how many new exports take place as a result of district office counseling and other assistance. GAO found that: (1) district offices

were not as effective in influencing businesses to enter new export markets as their reported accomplishments suggested; (2) only 38 percent of the firms surveyed found that export counseling was somewhat influential in making decisions to export in new markets; and (3) there was insufficient control over the accuracy of district office reporting. GAO also found that: (1) district offices tightened controls over reporting and revised the criteria for measuring successes in developing new exporters or markets; (2) the firms assisted by the district offices did, for the most part, find the help useful; and (3) although Commerce tries to measure the effectiveness of its export promotion efforts by reporting export accomplishments, it cannot measure the usefulness or value of facilitating exports to established markets.

Open Recommendations to Agencies

To better evaluate the United States and Foreign Commercial Service's (US&FCS) contributions in developing new exporters and new markets and the value of its export facilitation assistance, the Director General, US&FCS, should periodically survey the businesses that are helped by the district offices to obtain their perceptions of the value of the services received.

Status: Action in process. Estimated completion date: 12/86. ITA has drafted a survey instrument and is seeking OMB approval to conduct the survey. This will be difficult due to the cuts in Commerce's information collection budget by OMB.

Conduct of Foreign Affairs

Embassy Contracting: Contracts With Employee Associations Should Be Terminated

NSIAD-86-57, 03/18/86

Background

Pursuant to a congressional request, GAO reviewed: (1) the extent to which U.S. embassies enter into contracts with employee associations to provide commissary, restaurant, and recreational facilities; (2) the rationale for using associations as contractors; and (3) the appropriateness of these arrangements.

Findings

GAO noted that: (1) because of the limits placed on the number of embassy employees, foreign service posts increasingly turn to contract personnel to provide commercial services; and (2) Department of State procurement regulations authorize posts to enter into nonpersonal service contracts as long as the government does not directly supervise the performance of work or reserve the right of selection of indi-

vidual employees. GAO found that: (1) some embassy service contracts did not follow federal procurement regulations; (2) employee associations were making unauthorized profits on service contracts; (3) association accounting systems were deficient with respect to contract activities; (4) most contracts involved personal service which established unauthorized employer/employee relationships between the government and contract personnel; (5) embassy personnel were performing certain func-

tions that were the responsibility of the employee association; (6) day-to-day supervision of contract employees was a prime responsibility of permanent embassy personnel; and (7) in most cases, service contracts did not describe the tasks required, how often the tasks should be done, or the appropriate staffing levels. GAO also found that State has taken action to increase its oversight of association activities, but its efforts to remedy association contracting problems have been insufficient to correct contracting deficiencies.

Open Recommendations to Agencies

The Secretary of State should terminate existing service contracts between the embassies and the associations as soon as possible in the orderly course and conduct of public business, unless there are compelling reasons to continue using the associations as contractors.

Status: Action in process. Estimated completion date: 09/87. State informed all overseas posts of its intention to phase out service contracts between associations and embassies. Posts were directed to begin reviewing all such contracts, giving consideration to using commercial contractors or hiring personnel directly on personal service contracts. State drew up formal phase-out procedures.

The Secretary of State should direct the posts to hire contract personnel directly to provide support services overseas but require that posts formally justify to the Department, in advance, the need for such contract personnel.

Status: Action in process. In reviewing association contractual services with the embassy, posts were instructed to consider, as one option, the direct hiring of contract personnel. If this is determined to be the most viable approach, posts must request, and Washington bureaus must approve, staffing levels to ensure program efficiency. The Procurement Executive

will grant personal service contracting authority to posts.

The Secretary of State should, in those cases where the posts determine there are compelling reasons to contract with the association, require that such arrangements: (1) be approved in advance at the Department level; (2) establish sufficient oversight and guidance to ensure contracting practices and procedures meet federal and Department procurement regulations; and (3) require that association financial records are adequate to support costs claimed.

Status: Action in process. Procedures are being finalized for seeking authority to continue using the associations as government contractors. Advance State approval will be required. Regional State bureaus will ensure that association records are adequate to support the costs claimed on such contracts.

The Secretary of State should direct Department and post officials to recover the funds remaining in the contingent liability accounts related to these contracts and take appropriate actions to return these funds to the U.S. Treasury following the termination of service contracts between the embassies and the associations.

Status: Action in process. State agreed with this recommendation and is in the process of determining the amount of such contingent liability funds maintained by the associations and issuing guidelines on how these funds should be handled as association contracts are terminated. State supported establishing a separate account at the Treasury for these funds until liability is ultimately liquidated.

The Secretary of State should direct embassy officials in Mexico City to determine the amount of severance funds improperly spent by the association for purchases unrelated to the embassy service contract and to make appropriate arrangements to recover these funds.

Status: Action taken not fully responsive. State directed post personnel to investigate the matter. Posts responded that, although funds were commingled, association and contract-related severance funds were isolated in separate accounts. As far as GAO could determine, all funds were accounted for and none were improperly spent for association purposes. A/OPR said no further action is planned.

The Secretary of State should direct embassy officials in Ankara to determine the amount of snack bar employee salaries improperly charged to the government contract and make arrangements to return these funds to the government.

Status: Action taken not fully responsive. In response to the State directive to investigate improper charges to a contract, the post responded that the GAO allegation was incorrect. The post did admit, however, that it had covered cafeteria losses with government funds but believed that this was acceptable because local practice required the government to provide free or subsidized meals in-house for local employees.

The Secretary of State should direct embassy officials to take action necessary to recover unauthorized profits paid to employee associations after July 1985.

Status: Action in process. As of November 1986, State had received responses regarding its inquiry on unauthorized profits from 77 of 132 posts with associations. Of those responding, 11 posts indicated that some profits were being realized on association service contracts. The total profit was about \$32,000, however, some posts did not provide dollar amounts but stated that funds were recovered through adjustments.

Conduct of Foreign Affairs

Refugee Program: Initial Reception and Placement of New Arrivals Should Be Improved

NSIAD-86-69, 04/07/86

Background

GAO reviewed the Department of State's initial refugee reception and placement program to assess: (1) the management of the refugee resettlement program; (2) the distribution and use of grant funds; and (3) the extent to which grant funds have helped refugees move toward self-sufficiency.

Findings

GAO noted that State awards per capita grants to voluntary agencies to provide refugees with core services such as food, shelter, clothing, and employment assistance during their first 90 days in the United States. GAO found that: (1) 94.3 percent of the refugees who arrived in the United States in April 1984 received food, clothing, and shelter and at least 84.1 percent received employment-related services; (2) refugees that needed vocational or academic training and those who were not aggressively seeking employment were more difficult to place in jobs; (3) State does not use measurement factors such as employment/welfare dependency rates to evaluate agency performance; (4) voluntary agencies participating in the refugee placement program are not required to submit audited financial statements; (5) State places few restrictions on the agencies' use of grant funds and, therefore, financial reports do not disclose the total costs incurred in resettling refugees or provide an adequate basis for evaluating the appropriateness of program expenditures; and (6) since State exercises minimal control and accountability over the agencies' use or refugee reception and placement funds, it can neither

determine if the federal share of resettlement costs is sufficient nor substantiate the need for additional per capita grants.

Open Recommendations to Agencies

The Secretary of State should require the Director, Bureau for Refugee Programs, to further clarify the reception and placement program goals in terms of self-sufficiency expectations. With employment as a primary route to refugee self-sufficiency, such expectations should include an identification of which newly arrived refugees are employable and when employment can be expected. In clarifying the goals, the Director needs to establish criteria which program managers and participants can use to make these determinations. The criteria should be such that, if the refugee is determined unemployable upon arriving in the United States, another determination could be made as to when and what would be needed to help the refugee become employable. In this connection, the Director should keep the appropriate committees informed on, and seek their support of, the Bureau's progress in the clarification and establishment of these program goals.

Status: Action in process. State is revising its agreement with voluntary refugee resettlement agencies. That agreement is to become effective on January 1, 1987.

The Secretary of State should require the Director, Bureau for Refugee Programs, to establish and distribute

to program participants guidelines for achieving program goals and more effectively placing employable refugees in jobs and reducing their dependence on public assistance.

Status: Action in process. State is revising its agreement with voluntary refugee resettlement agencies. That agreement is being reviewed to determine the extent to which it addresses this recommendation.

The Secretary of State should require the Director, Bureau of Refugee Programs, to establish reasonable and measurable performance standards and apply them in maintaining refugee program oversight and managing refugee reception and placement.

Status: Action in process. State is revising its agreement with voluntary refugee resettlement agencies. That agreement is being reviewed to determine the extent to which it addresses this recommendation.

To improve the level of accountability and control needed to adequately oversee the refugee program, the Secretary of State should require the Director, Bureau of Refugee Programs, to consider the need to: (1) require voluntary agencies to submit program and financial reports containing pertinent information needed for effective management oversight; (2) require voluntary agencies to report total costs of refugee resettlement; (3) adhere to Office of Management and Budget (OMB) circulars governing reasonableness and allowability of costs; (4) impose reasonable restrictions on the use of reception and placement funds;

and (5) ensure that voluntary agencies adhere to OMB audit requirements.

Status: Action in process. State is

revising its agreement with voluntary refugee resettlement agencies. That agreement will be reviewed to deter-

mine the extent to which it addresses this recommendation.

Conduct of Foreign Affairs

Problems in Constructing Embassy Facilities in Cairo, Egypt

NSIAD-86-101, 04/18/86

Background

In response to a congressional request, GAO examined the Department of State's Foreign Buildings Office (FBO) construction practices for the ambassador's residence and the chancery in Cairo, Egypt, specifically its procedures in contracting for and ensuring quality construction of those structures.

Findings

GAO found that FBO did not follow State policies and regulations in building the facilities, resulting in: (1) design problems and changes which caused delays and added costs; (2) contracts with builders without adequate evaluation of their financial and technical capabilities; (3) inadequate staff monitoring of the site project manager's activities; (4) the project manager's inadequate performance in monitoring construction, rejecting below stand-

ard materials and workmanship, and reporting problems; and (5) the reprogramming of nearly \$1 million to cover cost overruns on the residence construction without notifying the appropriate congressional committees. FBO decided to: (1) abandon construction of the ambassador's residence after spending \$3.5 million over a 7-year period because it would have cost \$930,000 to repair the poor workmanship and complete the building; (2) sell the property to the Egyptian Government; (3) terminate the original contract for the chancery building because of lack of progress, after spending \$16 million of the \$27.6 million estimated total cost; and (4) award a new contract for completion of the chancery at an estimated new total cost of \$45 million, due partly to new security requirements. FBO has no overall plan or strategy for its space requirements in Cairo and, as a result, it has changed its plans for an ambas-

sador's residence, for acquiring office space, and for the number of floors in the chancery, several times during recent years.

Open Recommendations to Agencies

In view of the construction difficulties experienced in Egypt and the costly and time-consuming changes made to previous plans there, the Secretary of State should direct FBO to follow departmental procedures for the design and construction of facilities in Egypt.

Status: Action in process. The Director has not yet issued instructions reemphasizing that FBO technical personnel follow procedures and standards.

Conduct of Foreign Affairs

State Department Efforts To Improve Security Overseas

NSIAD-86-133, 06/12/86

Background

Pursuant to a congressional request, GAO discussed several issues relating to the Department of State's Emergency Security Supplemental funds, State's Bureau of Diplomatic Security, and the need for additional security standards.

Findings

GAO found that: (1) since the Beirut embassy bombing in 1984, State has used its Emergency Security Supplemental funds to improve security at its overseas facilities; (2) to complete the security projects and improve-

ments, State will need more funds than it originally estimated; (3) although State's Bureau of Diplomatic Security centralizes security matters, a number of problems and disputes remain to be resolved between State, overseas posts, and other agencies; and (4) security levels differ from one overseas post to

another because State has not established standards for interim security measures.

Open Recommendations to Agencies

The Secretary of State should ensure that more realistic cost estimates for security and construction projects are prepared and that recurring costs for staffing and maintaining projects initially funded by security supplementals are made known to Congress.

Status: Action in process. State reassessed costs to construct perimeter security improvements and provided monthly status reports on the use of the FY 1985 supplement. It hired a contractor for management support

services for new building construction, but the contractor's cost management system is not in place. State developed a breakout of recurring costs for non-capital security projects for FY 1988.

The Secretary of State should establish a mechanism to ensure that differences concerning security requirements within the Department or between the Department and other agencies are resolved quickly.

Status: Action taken not fully responsive. State charted an Overseas Policy Group to develop uniform policies among overseas agencies for security. However, implementing policies is the responsibility of each agency. GAO believes that this is inadequate, yet the development of standards should reduce the frequency of disagreements.

The Secretary of State should develop standards covering: (1) minimum physical and procedural security requirements for posts in each threat category, (2) interim security measures, and (3) hiring, training, and supervision of contract guards.

Status: Action in process. Estimated completion date: 12/86. A revised security standards handbook was distributed to all posts in June 1986. A draft handbook addressing security requirements by threat category and interim measures is being reviewed. A manual for managing contract guards is complete and is scheduled for distribution to posts in December 1986.

Conduct of Foreign Affairs

Strengthening Trade Law Protection of Intellectual Property Rights

NSIAD-86-150, 08/13/86

Background

GAO recommended ways to strengthen section 337 of the Tariff Act as a means for U.S. firms to protect their intellectual property rights against counterfeit and infringing imports.

Findings

GAO believes that, in order for section 337 to be more effective, Congress needs to: (1) increase access to section 337 relief by eliminating or redefining the statutory criteria for obtaining relief; (2) direct the International Trade Commission (ITC) to speed relief when complainants need expedited government assistance and when no respondents participate in the proceedings; (3) clarify ITC authority to issue both exclusion orders and cease-and-desist orders to remedy the same unfair trade practice; and (4) strengthen the U.S.

Customs Service's ability to enforce section 337 exclusion orders.

Open Recommendations to Congress

Congress should amend section 337 of the Tariff Act of 1930 for cases involving intellectual property rights to: (1) eliminate the requirement that a complainant be efficiently and economically operated; (2) eliminate the domestic industry requirement; and (3) redefine the injury requirement so that ownership of a valid and enforceable U.S. intellectual property right and proof of infringement by imports is sufficient to meet the injury test.

Status: Action in process.

Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property rights to require ITC, at the request of the complainant, to make temporary relief effective within 10 days of a judge's affirmative initial determination on temporary relief, while requiring the complainant to post bond, unless it finds that such action would be contrary to the public interest. ITC may then review the initial determination in accordance with its current procedures.

Status: Action in process.

In cases where no respondents participate, Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property rights, to require ITC,

at the request of the complainant, to provide interim relief if: (1) the facts as set out in the complaint, supporting documents, and other information available to ITC demonstrate that a violation of section 337 is likely to have occurred; and (2) the provision of interim relief is not deemed contrary to the public interest. Congress should also require ITC to make its determination on permanent relief no later than 6 months from the date all respondents are officially determined to be in default, not to exceed 12 months from the date ITC instituted the investigation.

Status: Action in process.

Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property

rights to clearly authorize ITC to issue both exclusion orders and cease-and-desist orders to remedy the same unfair trade practice.

Status: Action in process.

Congress should amend section 337 of the Tariff Act of 1930 for cases involving the protection of intellectual property rights to authorize ITC to direct the U.S. Customs Service to seize counterfeit or infringing goods when there is evidence that a firm or firms have on more than one occasion attempted to bring such goods into the country in knowing violation of exclusion orders.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of the Treasury should instruct the Commissioner of Customs to intensify the efforts of Customs to enlist the support of firms that have obtained exclusion orders in identifying shipments containing counterfeit or infringing products, possibly by providing an informational brochure or similar document to firms initiating section 337 proceedings.

Status: Action not yet initiated. Customs has not decided what action, if any, should be taken to implement this recommendation. Some agency officials believe that Customs' present efforts to enlist the support of firms that have received exclusion orders is adequate.

Conduct of Foreign Affairs

Assessment of Commerce Department's Foreign Policy Report to Congress

NSIAD-86-172, 08/19/86

Background

GAO examined the Secretary of Commerce's January 1986 report to Congress on extending the foreign policy controls in effect prior to the passage of the Export Administration Amendments Act of 1985, to ensure that it fully complied with the statutory reporting requirements.

Findings

GAO found that, although the 1986 report met the act's requirements, it

had certain shortcomings, specifically: (1) the sections addressing alternative means and enforcement had little explanation; and (2) the sections on economic impact generally examined the economic effects of particular controls but failed to explain the limitations in estimating economic impact. GAO believes that future reports should provide a better explanation of the consideration given to alternatives to the controls, the difficulties in enforcing them, and the limitations in assessing their economic impact.

Open Recommendations to Agencies

The Secretary of Commerce should more fully and clearly discuss, in future reports, the difficulties in enforcing export controls for foreign policy reasons and specifically address the problems with re-exports.

Status: Action taken not fully responsive. Commerce improved its presentation of the enforcement subject, but needs to provide further information. Future reports are likely to be more responsive.

Conduct of Foreign Affairs

The National Endowment for Democracy's Management of Grants Overseas

NSIAD-86-185, 09/24/86

Background

In response to a congressional request, GAO reviewed the National Endowment for Democracy's procedures for selecting, monitoring, and evaluating its grantee programs.

Findings

GAO found that the Endowment: (1) relied on its grantees to select, monitor, and evaluate their own programs in 1984 and 1985; (2) did not implement a comprehensive planning process or develop an overall plan reflecting its priorities in terms of geographic areas or project types, thereby limiting its selection process to funding projects that its grantees developed and submitted; (3) did little independent verification of financial and other program information; and (4) evaluated only a few projects during the first 2 years of operation, since they were the only projects that were completed by then. GAO noted that in March 1986, the Endowment approved a policy statement clarifying its responsibilities

for oversight of appropriated funds and defining its relationship with grantees.

Open Recommendations to Agencies

The Endowment should prepare and implement procedures to put its 1986 policy statement into practice, and provide specific guidance on program priorities and geographical targets for grantees to use in developing projects.

Status: Action in process. The Endowment stated that the report will be helpful in assisting it to refine and improve its management practices. It believes that a framework exists for guiding prospective grantees regarding program priorities and geographical targets in preparing proposals. The Endowment has prepared a statement of such priorities and targets that will be presented to its Board for approval.

The U.S. Information Agency (USIA) should ensure that the Endowment's

Board of Directors establishes procedures and assigns responsibility so that the Endowment can perform, or require to be performed, selective, independent auditing or other forms of verification of the information submitted by grantees to ensure compliance with grant terms and objectives.

Status: Action not yet initiated. USIA believes that the Endowment should implement this recommendation on its own.

USIA should ensure that the Endowment's Board of Directors clarifies the Endowment's current procedures in terms of the Board's March 1986 policy statement, which identifies the Endowment's responsibility for evaluating projects.

Status: Action not yet initiated. USIA believes that the Endowment should implement this recommendation on its own.

Foreign Economic and Financial Assistance

Direct Contracting by the Agency for International Development Can Be Better Managed

NSIAD-84-108, 07/09/84

Background

In response to a congressional request, GAO examined certain aspects of the Agency for International Development's (AID) management of direct contracting, including: (1) the extent of

competition; (2) the adequacy and clarity of scopes of work issued by AID; (3) the extent to which overhead rates and other indirect costs are validated and efforts made to minimize them; (4) the extent to which the numbers and tech-

nical proficiency of contractor personnel and associated costs are held at the minimum levels necessary to get the job done; and (5) the adequacy of AID monitoring and reporting of contractor progress.

Findings

For fiscal year 1982, AID reported \$16.8 million in noncompetitive contract awards exceeding \$100,000, not including amendments to existing contracts. GAO found that the total original awards increased by 61 percent through amendments. Amendments generally do not require competition; however, the circumstances that prompt the issuance of an amendment may provide an opportunity for competitive procurement instead. GAO also found that the statements of work in 21 of 37 active contracts were vague, which delayed contract implementation and caused poor accountability. GAO review of selected audits of overhead costs in AID direct contracts indicated that overhead rates were being validated regularly and total questioned costs were not unreasonably high. GAO found that key personnel, promised at the time contracts were awarded, were not avail-

able for contract performance, which also resulted in project delays and other detrimental effects. Finally, most contracts which GAO reviewed lacked performance indicators, and contractor progress reports tended to be generalized descriptions of project activities rather than assessments of actual versus planned performance.

Open Recommendations to Agencies

The Administrator, AID, should take action to better quantify, report, and monitor the amount of, and reasons for, amendments and other noncompetitive actions. Actions should include: (1) using computer capabilities to better quantify competitive and noncompetitive procurement actions by bureaus, missions, and offices; (2) using the information so developed to identify trends

and monitor changes in competitive and noncompetitive performance and establish goals for improving competitiveness in AID contracting; (3) identifying the factors that contribute to noncompetition, such as inadequate leadtime; (4) formulating actions to increase competition such as requiring project officers to plan adequate time for competition during project design; and (5) implementation and modifying personnel performance standards of project and contracting officers to reduce or eliminate pressures that lead to noncompetitive procurements.

Status: Action in process. AID established a data base involving contract amendments and other noncompetitive actions, but the data has not been analyzed. In November 1986, AID was training two persons expected to perform these functions.

Foreign Economic and Financial Assistance

Financial Management Problems in Developing Countries Reduce the Impact of Assistance

NSIAD-85-19, 11/05/84

Background

GAO determined how the Agency for International Development (AID), and other major donor assistance agencies, can better help to identify and meet the financial management training and technical assistance needs of aid recipients.

Findings

GAO found that AID and the other donors have not adopted policies or developed well-articulated and coordinated programs of assistance to improve host-countries' financial management systems. The donors have not: (1) analyzed the constraints of financial management as they affect the main sectors of development; or (2) formulated specific policies and programs to

address major problem areas. Further, the lack of personnel trained in basic accounting and related financial management functions has adversely affected development program performance in many of these countries.

Open Recommendations to Agencies

The Administrator, AID, should begin a program for financial management assistance that establishes training priorities and mechanisms on a country-by-country basis and in a regional context, if appropriate.

Status: Action in process. AID stated that it would: (1) develop minimum

accounting standards for reviewing host-country institutions; (2) develop a data base for monitoring host-country institution performance; (3) establish a Financial Management Assistance Working Group; and (4) develop an accounting assistance strategy for countries in need.

The Administrator, AID, through the U.S. delegation to the Development Assistance Committee of the Organization of Economic Cooperation and Development and its participation in Cooperation for Development in Africa, should initiate donor discussions of the constraints of financial management weaknesses and their effect on the main sectors of development assistance programming.

Such discussions should also encourage the World Bank's involvement in working with bilateral donors to: (1) discuss the extent to which donors can systematically emphasize improving host-country financial management capability when designing development assistance projects; (2) identify countries requiring major levels of donor training and technical assistance and formulate

donor strategies accordingly; and (3) identify the elements of ongoing donor financial management assistance programs which offer potential for long-term replication.

Status: Action in process. An international training program sponsored

by the International Organization of Supreme Audit Institutions is being established. This effort, which was initiated by GAO and the Auditor General of Canada, received funding commitments from AID, the Canadian International Development Agency, the World Bank, and Norway's bilateral assistance agency.

Foreign Economic and Financial Assistance

Stricter Enforcement of Refugees' Transportation Loan Repayments Needed

NSIAD-85-56, 03/08/85

Background

GAO reviewed the Department of State's transportation loan program, which finances the transportation of refugees from temporary asylums overseas to the United States through a revolving loan fund administered by the Intergovernmental Committee for Migration (ICM), which is an international organization based in Switzerland.

Findings

GAO found that, before leaving their asylum countries, refugees sign interest-free promissory notes to repay their transportation costs. However, GAO found that, from 1951 through 1984, only about 20 percent of the amount loaned to refugees had been repaid. The low repayment rates have required State to replenish the revolving loan accounts with over \$30 million for additional appropriations in 1983 and 1984, and State has estimated that it will cost approximately \$50 million in 1985. Without significant changes in the repayment rates and annual refugee admissions, similar funding levels will be required to keep the program operational. GAO found that the low collection and repayment rates have resulted from inefficient collection methods used by voluntary agencies and the lack of

law enforcement. Although most voluntary agencies are improving their loan collection procedures and systems, they are still experiencing problems with maintaining current billing addresses for refugees due to their continual changes of residence. GAO found that the lack of enforcement has been due to the reluctance on the part of the parties associated with the program to enforce repayment of the debts. ICM has questioned the validity of the notes, and State and the voluntary agencies have been uncertain as to whom the debt is owed. Furthermore, many refugees either refuse to acknowledge their debt obligation or to make any payments. Therefore, GAO found that enforcement may require changes in the language and the administration of the loans.

Open Recommendations to Agencies

In addition to maintaining ongoing efforts to improve voluntary agency collection efforts, the Secretary of State should: (1) determine whether the current language of the promissory notes legally binds refugees to repay these loans; (2) if the notes are considered legally binding, seek an agreement with ICM to assign its defaulted notes to State for collection; and (3) if the

notes are not considered legally binding, revise future notes to ensure their legal effectiveness and allow for them to be assigned to State. In the event that existing and future promissory notes can neither be made binding obligations nor assigned for collection, State should consider changing the nature of its loan program so that the loans are made by State to the refugees.

Status: Action in process. State drafted a revised promissory note which provides for ICM to assign loans in default to State for collection. In November 1986, ICM agreed to transfer individual loans in default to the State Department for collection as a U.S. debt.

The Secretary of State should make sure that all U.S.-bound refugees are thoroughly briefed on their loan obligations and sign their promissory notes as early as possible prior to their departure to allow ICM sufficient time to provide the voluntary agencies with the documents needed for collection. In addition, agreements with the voluntary agencies must be changed to ensure that they: (1) establish loan criteria and milestones specifying when uncollected notes are delinquent and in default; and (2) submit to State for further action the names and addresses

of those refugees whose loans become delinquent.

Status: Action in process. State prepared a brochure to assist in briefing refugees on their loan obligations prior

to their departure for the U.S. and is presently holding periodic meetings with the private voluntary agencies to seek and develop ways to improve loan collections. Actions planned by State

to improve loan collections are being analyzed by GAO in a follow-up survey of the status of the recommendations.

Foreign Economic and Financial Assistance

Providing Effective Economic Assistance to El Salvador and Honduras: A Formidable Task

NSIAD-85-82, 07/03/85

Background

In response to a congressional request, GAO reviewed U.S. economic assistance programs in El Salvador and Honduras to determine whether: (1) this assistance could be absorbed and administered effectively; and (2) the United States has been able to influence these countries to undertake economic policy reforms to promote long-term stabilization and growth.

Findings

GAO found that: (1) the Governments of El Salvador and Honduras lack institutional expertise to effectively administer large and complex projects and funds to finance their share of project costs; (2) the Agency for International Development (AID) has chosen assistance delivery techniques which permit quick disbursement of economic assistance and minimize management burden; and (3) the effectiveness of economic assistance in El Salvador and Honduras depends largely on fundamental economic reforms. GAO also found that: (1) AID and the Department of State have not always included desired reforms in assistance agreements as planned and have disbursed funds even though required policy actions have not been taken; (2) AID has not been able to insist on more action because macroeconomic reform is

not always the top U.S. priority; and (3) there is a need for more agreement on the degree to which U.S. balance-of-payments support should be used to bring about economic policy changes.

Open Recommendations to Congress

In view of the uncertainties on the extent of congressional support for macroeconomic reform efforts, Congress should provide an explicit statement of the relative importance it attaches to improved economic policies in these countries.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator, AID, in consultation with the Secretary of State, should make and present to Congress a detailed analysis of the estimated costs to finance future balance-of-payments deficits in El Salvador and Honduras in the absence of macroeconomic reforms, particularly exchange rate adjustments.

Status: Action in process. Estimated completion date: 12/86. AID has ana-

lyzed El Salvador's and Honduras' balance-of-payments deficits given different policy scenarios. AID plans to transmit these analyses to appropriate congressional committees by the end of 1986.

The Secretary of State, in cooperation with the Administrator, AID, should initiate interagency discussions to reach more agreement on the degree to which balance-of-payments assistance should be used to influence economic reforms in El Salvador and Honduras. These discussions should include the Department of Treasury, the Office of Management and Budget, and other agencies, such as the Department of Defense, which have responsibility for U.S. programs in these countries.

Status: Action in process. Interagency discussions on using U.S. balance-of-payments assistance to influence economic policy reform in El Salvador and Honduras are continuing. An agreement has been reached regarding El Salvador. AID, State, and other agencies conducted extensive consultations in February 1986 and reached agreement on a U.S. policy reform strategy for Honduras. AID implementation is in process.

Foreign Economic and Financial Assistance
The U.S. Economic Assistance Program for Egypt Poses a Management Challenge for AID

NSIAD-85-109, 07/31/85

Background

GAO reviewed the Agency for International Development's (AID) progress in assisting the Government of Egypt in developing its economy, including: (1) the conditions and constraints of establishing and administering the Economic Support Fund (ESF) program; and (2) the advantages and disadvantages of the current mode of providing ESF assistance and the possible alternative ways of disbursing this assistance.

Findings

GAO found that: (1) economic development progress has been somewhat limited by program conditions which AID had little control over; (2) some actions taken to support the political purpose of the program may not be of optimal value in working toward the longer term economic development goal; and (3) AID officials see that the

political purposes place priority on visible and short-term results and tend to discourage a more rapid pace toward economic reform. GAO noted that it has been difficult for AID to influence the Government of Egypt to quicken its pace in making economic policy reforms because: (1) AID lacks overall program funding leverage; and (2) the Government of Egypt is concerned that moving too quickly may be politically destabilizing. GAO also found that the large size of the project portfolio has: (1) made it difficult to administer the program; (2) challenged Egypt's ability to effectively absorb the large amounts of assistance; and (3) resulted in a large amount of obligated but undisbursed funds. GAO noted that AID could use nonproject program approaches such as cash transfers, sector grants, and commodity imports as alternative modes for some of the project assistance; however, it is necessary for AID to objectively and thoroughly assess the various

modes to determine the best mix for accomplishing program goals in Egypt.

Open Recommendations to Agencies

To support AID continuing program design efforts and assist the Government of Egypt in its economic development, including any needed policy reform, the Administrator, AID, should direct the Near East Bureau and the mission to perform the analyses necessary to provide in-depth knowledge of Egypt's development sectors and the policies that affect these sectors.

Status: Action taken not fully responsive. While AID disagreed with this recommendation, it stated that it will attempt to improve the quality of its analyses.

Foreign Economic and Financial Assistance
AID Recognizes Need To Improve the Foreign Economic Assistance Planning and Programming Process

NSIAD-85-110, 08/28/85

Background

GAO reviewed the Agency for International Development's (AID) foreign economic assistance planning and programming process to determine whether opportunities exist for AID to streamline and improve the process.

Findings

GAO found that: (1) an AID task force recommended that AID devote more time to policy, strategy, and program supervision and less time to project design and review; and (2) AID will not implement the recommendation until the conclusion of an experi-

ment designed to test new procedures. Most AID missions submit an annual country development strategy statement, and AID uses this statement to evaluate mission budgets and project proposals. AID regulations require missions to obtain strategy approval before submitting annual budgets. GAO found that: (1) less than half of the full strat-

egy statements it reviewed resulted in approval before the deadline for annual budget submissions; (2) a number of missions have operated indefinitely without approved strategies; (3) AID has limited flexibility to adjust mission budget proposals, which makes missions reluctant to reject or modify project proposals or submit alternative proposals; and (4) AID usually addresses programming decisions in the project review cycle rather than in its budget process. In addition, GAO found that: (1) AID headquarters project reviews rarely raise new issues and frequently contain details more appropriately addressed by project identification documents; and (2) some AID missions do not have sufficient staff resources or technical expertise to review and approve project identification documents.

Open Recommendations to Agencies

The Administrator, AID, should implement the approved task force recom-

mendation that country development strategy statements remain in effect for up to 4 years unless changing conditions necessitate a new strategy.

Status: Action in process. AID reported that statements are now scheduled every 3 years and can, in some cases, remain in effect for 4 years.

The Administrator, AID, should request missions to provide sufficient information to enable AID to assess a project's consistency with approved strategies.

Status: Action in process. AID reported that sufficient strategy-related information usually is provided in initial project proposals to permit a decision to develop the project further. Additional information can also be requested.

The Administrator, AID, should ensure that annual budget submission review results are promptly communicated to missions for guidance and use in subsequent project design and development.

Status: Action in process. AID reported that senior mission officials participate in the newly introduced annual program reviews, thereby ensuring that the results are immediately known in the field. The outcome of these reviews is officially communicated to the field, according to AID.

The Administrator, AID, should apply the successful project review components of the Asia Bureau experiment to other regional bureaus and missions on a case-by-case basis, while recognizing the varying capabilities of missions to exercise increased project approval authority.

Status: Action in process. AID reported that it has extended project review and approval authority to other bureaus on a case-by-case basis. AID stated that it is now possible to permit project approval for projects up to \$20 million.

Foreign Economic and Financial Assistance

Use of Airline Bonus Coupons and Privately Funded Travel by AID Employees

NSIAD-86-26, 11/29/85

Background

Pursuant to a congressional request, GAO reviewed the Agency for International Development's (AID) procedures for: (1) controlling and using promotional materials such as bonus flight coupons in conjunction with official travel; and (2) avoiding conflict of interest in connection with official travel funded by private sources.

Findings

The major U.S. airlines have instituted frequent-flyer programs which entitle a person who travels regularly to obtain coupons or accumulate points for bonus

travel. However, in a 1981 decision, GAO held that bonus flight promotional awards which federal employees receive while traveling on official business cannot be retained since they belong to the U.S. Government. GAO found that there has been confusion and controversy surrounding the earning, ownership, and use of these awards, and agencies have been slow in developing guidelines and communicating the requirements to their employees. Since the airlines do not provide government agencies with information on what federal employees earn while on official travel, it is difficult to verify that all of the promotional materials earned are turned in to

the agencies. Federal employees may accept payment from private sources for travel expenses incurred in carrying out official duties when: (1) it is a nonprofit, tax-exempt organization; and (2) it is paid from a nonfederal source on the agency's behalf. However, under both circumstances, payment of travel expenses should not be accepted if it would pose conflict of interest problems. AID recently issued guidelines which require prior written approval for such a trip from the employee's manager and a General Counsel determination that acceptance would not create an apparent conflict of interest. However, since over half of recent privately funded AID

trips were not submitted to the General Counsel, GAO believes there is a need to further emphasize its importance.

Open Recommendations to Agencies

The Administrator, AID, should recover the value of the trips made by four AID

employees using bonus airline coupons for unofficial travel or travel by their spouses.

Status: Action in process. AID issued

bills of collection to the four employees involved. The employees have appealed the collection action to the Comptroller General. The appeals are under review by GAO.

Foreign Economic and Financial Assistance

Effort To Improve Cash Management and the Payment Process at AID

NSIAD-86-36, 01/16/86

Background

GAO reviewed the Agency for International Development's (AID) efforts to improve management procedures relating to cash management and the payment process.

Findings

GAO found that AID has made progress in improving cash management practices for certain programs and activities, including the Commodity Import Program (CIP), the Egyptian decentralization program, and advances to contractors and grantees. GAO believes that AID can further improve its decentralization program disbursements and overseas cash-advance management by: (1) avoiding premature disbursement of funds for the decentralization program; and (2) ensuring that cash advances are limited to those needed to cover immediate disbursement needs. GAO also found that: (1) when AID uses bank letters to reimburse contractors and grantees for carrying out agency programs and activities, agency officials do not have the opportunity to review vouchers and supporting documents before the bank pays the recipients; and (2) the AID headquarters policy guidance recognizes the agency's increased

vulnerability to making improper payments through bank letters and discourages use of this financing procedure.

Open Recommendations to Agencies

The Assistant to the Administrator for Management, AID, should instruct the mission in Egypt to make additional improvements in cash management for the Basic Village Services project, particularly to: (1) further reduce the number of days it takes the Egyptian central government and governorates to transfer funds to the village councils; and (2) improve controls to ensure that projects are fully planned and ready for contracting before AID disburses funds.

Status: Action in process. This recommendation is under review by the Assistant to the Administrator for Management, AID, but he has not advised GAO of any corrective action planned or taken.

The Assistant to the Administrator for Management, AID, should instruct AID missions in Indonesia, Niger, and India to review outstanding cash advances at

least quarterly to determine whether the advances are excessive and should be reduced or eliminated. The mission in India should be instructed to include justification in project files for cash advance requests.

Status: Action in process. This recommendation is under review by the Assistant to the Administrator for Management, AID, but he has not advised GAO of any corrective action planned or taken.

The Assistant to the Administrator for Management, AID, should have headquarters officials monitor efforts by these missions to improve the payment process. If necessary, these officials should help the mission in India develop a sampling method for inspecting large projects and change the handbook requirements to accommodate this inspection method.

Status: Action in process. This recommendation is under review by the Assistant to the Administrator for Management, AID, but he has not advised GAO of any corrective action planned or taken.

Foreign Economic and Financial Assistance

Famine in Africa: Improving Emergency Food Relief Programs

NSIAD-86-25, 03/04/86

Background

GAO reviewed the Agency for International Development's (AID) fiscal year 1984 emergency food program for drought-stricken Africa to determine program results and to evaluate program management.

Findings

AID provided emergency food to cooperating sponsors in each country, who then distributed the food to the needy. As of December 1984, the sponsors had: (1) distributed 68 percent of the food; (2) not distributed 22 percent; (3) reported the status as unknown for 9 percent; (4) lost 1 percent; and (5) distributed 56 percent to people who met the most needy criteria and 12 percent to people who did not. GAO found several factors limiting AID emergency food distribution: (1) difficult terrain; (2) inefficient transportation networks; (3) limited government capabilities for assessing food needs; and (4) variances in the missions' planning and monitoring of emergency food distribution. GAO also found that: (1) there was a direct relationship between the amount of planning and monitoring and the extent to which the food reached the most needy; (2) the success of emergency programs depends on whether emergency food arrives when it is most needed and can be transported to drought-affected areas; (3) food delivery during the rainy seasons can delay or preclude the delivery of significant quantities; and (4) the arrival of large quantities of food shortly before a harvest could significantly limit program success. GAO noted widespread problems in the AID program in Somalia because

the government did not follow procedures in selling and auctioning wheat and other commodities, resulting in loss of funds for local development projects.

Open Recommendations to Agencies

The Administrator, AID, in order to improve the prospects for emergency food to reach those most seriously affected by famine, should require missions to review and approve cooperating sponsors' plans for distributing emergency food prior to its arrival. Missions should ensure that distribution plans specify the: (1) geographic areas or categories of people that will receive aid; (2) amount each area or group will receive; and (3) transportation and distribution networks to be used.

Status: Action in process. AID is considering contract proposals for revising its handbook of operational procedures. AID officials said this revision would consider emergency assistance, but specific actions are not yet known.

The Administrator, AID, in order to improve the prospects for emergency food to reach those most seriously affected by famine, should require missions to submit emergency food requests as early as possible and, where appropriate, should encourage missions to submit partial requests based on preliminary estimates of cereal needs and follow up with supplemental requests once needs are better known.

Status: Action in process. AID is considering contract proposals for revis-

ing its handbook of operational procedures. AID officials said this revision would consider emergency assistance, but specific actions are not yet known.

The Administrator, AID, in order to improve the prospects for emergency food to reach those most seriously affected by famine, should strengthen AID Handbook 9 standards for monitoring emergency food. Such standards should specify the extent and type of monitoring needed to ensure proper accounting for commodities sold or distributed free, including visits to storage facilities, regional and local distribution sites, and villages.

Status: Action in process. AID is considering contract proposals for revising its handbook of operational procedures. AID officials said this revision would consider emergency assistance, but specific actions are not yet known.

The Administrator, AID, should direct the AID Inspector General to review Public Law 480 food programs in Somalia; this would provide additional information on the results of title I and II food programs and identify needed improvements.

Status: Action in process. AID agreed with this recommendation, and officials stated that they plan to implement the recommended IG audit of the Somalia program after the end of the fiscal year.

Foreign Economic and Financial Assistance

Caribbean Basin Initiative: Need for More Reliable Data on Business Activity Resulting From the Initiative

NSIAD-86-201BR, 08/29/86

Background

In response to a congressional request, GAO surveyed 285 new businesses in the Caribbean Basin region regarding their operations in Central America and the Caribbean, specifically: (1) how the Department of Commerce developed its list of businesses; (2) the data Commerce obtained on the businesses; and (3) the results of GAO conversations with some of the businesses.

Findings

GAO found that: (1) the Commerce list is not a reliable indicator of business investments made as a result of the Caribbean Basin Initiative (CBI)

and, therefore, is useless in measuring the program's effectiveness; (2) the list lacked information on businesses' addresses, phone numbers, and commencement of operation dates; (3) publicized information on successful ventures could inform and encourage potential investors; (4) Commerce's data should differentiate among proposed and actual investments, new firms opened and expanded due to CBI trade provisions, and new business activities indirectly related to CBI, to lessen the risk of misinterpreted or misrepresented information; (5) some firms on the list were not related to CBI trade provisions; and (6) 37 of the 106 firms contacted said CBI had greatly influenced their decisions to establish operations in the Caribbean Basin, while 39 said CBI had not been a factor in their decisions.

Open Recommendations to Agencies

The Secretary of Commerce should ensure that the planned 1986 survey of CBI-related business activity develops reliable data. At a minimum, the data should be: (1) screened to avoid double-counting of firms and to exclude firms that have no relationship to CBI; (2) verified to ensure completeness and accuracy; and (3) analyzed to determine each business' operational status and relationship to CBI.

Status: Action in process. Commerce accepted the recommendation and plans to implement it in a study of 1986 activities expected to begin in January-February 1987.

Foreign Economic and Financial Assistance

Questions on the Central American Regional Program Need To Be Resolved

NSIAD-86-209, 09/08/86

Background

In response to a congressional request, GAO discussed the evolution, status, and viability of the Agency for International Development's (AID) regional economic assistance programs for Central America.

Findings

GAO found that: (1) according to AID views, studies, and funding actions,

extensive regional programs may not be viable; (2) Central American economic and political conditions were not conducive to regional assistance programs, in part because those countries were focusing on domestic issues; and (3) fundamental policy questions on the priority of regional assistance and the need to maintain the AID Regional Office for Central America and Panama (ROCAP) remained unanswered. GAO also found that: (1) AID

obligations and expenditures for regional programs were less than planned, primarily due to cancellations or delays in major economic assistance projects the National Bipartisan Commission on Central America (NBCCA) recommended; and (2) AID has used over half of its regional program funds for projects its Washington office, rather than ROCAP, managed; and (3) ROCAP is currently taking actions to improve coordination with the bilateral missions to enhance

the impact of its existing projects and to better complement AID bilateral programs. GAO believes that the success of ROCAP programs to promote economic growth will depend in part on host country economic and political conditions, and external source flows and credit arrangements.

Open Recommendations to Agencies

To resolve the long-standing controversy over regional programs and ROCAP, and in view of overall U.S. budget deficit reduction goals, the Administrator, AID, should examine the priority and role of regional assis-

tance in Central America and the need to maintain ROCAP.

Status: Action not yet initiated. The AID response on actions taken in response to this recommendation is not yet due.

Foreign Economic and Financial Assistance

Questionable Use of Disaster Assistance Funds for Peru

NSIAD-86-203, 09/30/86

Background

GAO reviewed U.S. disaster reconstruction assistance the Agency for International Development (AID) provided to Peru in response to the effects of the weather phenomenon called El Nino in 1982 and 1983.

Findings

Prior to the disaster, AID expressed concerns about Peru's worsening economic condition and proposed a balance-of-payments loan from the Economic Support Fund to establish working capital within Peru. The executive branch did not approve the proposal because of a lack of funds. In 1983, Congress granted AID a supplemental appropriation, which gave it authority to reob-

ligate certain funds for relief, rehabilitation, and reconstruction activities in the Andean region. In preparing for the reobligation, AID amended the proposed \$60-million balance-of-payments loan to justify the use of international disaster assistance funds to finance the economic support loan. GAO found that: (1) the loan represented a departure from past practices, since AID had never used disaster assistance funds to finance a balance-of-payments type of economic support assistance; (2) Congress intended that international disaster funds meet individual disaster victims' needs, not the general economic needs of a country; (3) balance-of-payments assistance was traditionally funded from the Economic Support Fund; and (4) it was questionable whether the \$60 million in funds that Congress intended for relief, rehabilitation, and reconstruction activ-

ities was an appropriate funding source for the balance-of-payments loan.

Open Recommendations to Agencies

The Administrator, AID, should seek clarification from Congress as to whether international disaster assistance funds may be used for programs, such as balance-of-payments support, normally financed from the Economic Support Fund.

Status: Action not yet initiated. AID has 60 days to respond after the report is issued.

Foreign Information and Exchange Activities

Free-Lance Services Provided by RFE/RL Employees

NSIAD-86-16, 11/27/85

Background

In response to a congressional request, GAO reviewed broadcast controls at Radio Free Europe/Radio Liberty, Inc. (RFE/RL), a government-financed private organization which broadcasts to Eastern Europe and the Soviet Union. Because of questions raised about possible abuses, GAO reviewed: (1) RFE/RL reasons for contracting with its employees; (2) the extent and cost of such contracting; and (3) controls in place, or possible, to prevent abuses.

Findings

GAO found that: (1) RFE/RL spent \$178,651 to contract with 222 full-time employees; (2) a number of the contracts were for support services, such as typing, translation, statistical compilation, and research; (3) contracts were awarded to employees for tasks that fell within the employees' job descriptions, and employees may have done contract work during normal, salaried

working hours; (4) employee free-lance contracts were awarded in areas where the pool of available outside help was good; (5) RFE/RL has no written policies or procedures that specify the conditions under which contracts with employees may be used; and (6) the Board for International Broadcasting's budget justifications to Congress do not show that RFE/RL contracts with its employees. RFE/RL officials stated that they contract with employees because: (1) outside contributors in the non-Russian language broadcasts to the Soviet Union are difficult to find; (2) employees must receive additional compensation for tasks outside their position descriptions; and (3) employees are used to maintain high quality broadcasts. GAO believes that RFE/RL should have the flexibility to contract with employees for services it needs but cannot obtain from other sources; however, RFE/RL has not applied adequate controls to ensure that employee free-lance contracts are: (1) used only when necessary; (2) properly reviewed

and authorized to avoid abuses; and (3) performed outside normal duty hours.

Open Recommendations to Agencies

The Chairman of the Board for International Broadcasting should identify in its budget submission to Congress that some of the funds may be used for RFE/RL employee free-lance contracts.

Status: Action taken not fully responsive. The Board had a complete turnover in professional staff after the report was issued. It agreed to implement the recommendation; however, in the transition, the Board did not disclose the use of the free lance funds to pay RFE/RL employees in its FY 1987 budget presentation.

International Financial Programs

African Development Bank: A More Independent Evaluation System Is Needed

NSIAD-86-48, 02/21/86

Background

GAO reviewed the African Development Bank's (AFDB) progress in establishing an independent program and project evaluation system as a means of informing member governments and management of its efficiency and effectiveness in meeting its objectives.

Findings

The United States has political, strategic, economic, and humanitarian interests in Africa which it pursues in part through participation in the AFDB. U.S. objectives focus on improving AFDB operations with an effective evaluation system which would: (1) exam-

ine ongoing and completed projects and operations; (2) apprise management, governing bodies, and member governments of project results; and (3) apply experience gained to new projects and to AFDB policies and procedures revision. The Agency for International Development's 1982 study showed the need for a more comprehensive and

independent evaluation system. GAO found that, since 1980, the AFDB evaluation division has: (1) better defined its roles and operating procedures; (2) developed a more comprehensive system encompassing ongoing as well as completed activities; (3) improved its evaluation data collection; and (4) more widely disseminated the results of its work. GAO also found that, because the evaluation division is not an independent department, it: (1) does not have full control over the use of its staff, which has been used for nonevaluation purposes, resulting in delays in evaluation completions; (2) lacks a direct line of reporting to the Board of Executive Directors, causing delays and a lack of

objectivity in the reports; and (3) has not exercised control over nor developed an evaluation report recommendation follow-up system to keep the AFDB Board and management apprised of the effect of evaluation results on operations.

Open Recommendations to Agencies

The Secretary of the Treasury should instruct the U.S. Executive Director, AFDB, to propose that AFDB management and Board of Executive Directors: (1) as an interim measure, establish

the evaluation division as a central evaluation unit under the President, but with a direct line of reporting to the Board; and (2) consider the eventual establishment of a fully independent evaluation unit attached directly to the Board.

Status: Action in process. The agency contact stated that the U.S. Executive Director has made these recommendations, but verification documentation will not be available until December 1986.

International Financial Programs

United Nations: More Can Be Done To Strengthen the U.N. Joint Inspection Unit

NSIAD-86-141, 06/17/86

Background

GAO reviewed the effectiveness of the United Nations (UN) Joint Inspection Unit's (JIU) role as an independent evaluation unit, focusing on: (1) whether it functions as intended and fulfills the evaluation role Congress expected; (2) assessing the Department of State's actions to monitor JIU activities and improve JIU effectiveness; and (3) identifying ways to enhance JIU effectiveness in evaluating UN programs.

Findings

GAO found that: (1) 76 percent of JIU-issued reports failed to meet State's quality assurance standards; (2) JIU needs to develop written standards to improve report quality; (3) JIU inspectors lack the necessary qualifications and experience to ensure quality performance; (4) many JIU recommendations were not implemented because they were inadequate or vague; (5) some sound JIU recommendations were set aside without substantive action;

(6) JIU should develop a multi-year work program to identify high-priority issues and ensure systematic coverage of UN system activities; (7) JIU failed to develop an evaluation plan to determine activities' relevance, effectiveness, and impact; (8) JIU should develop a systematic procedure for following up on the status of report recommendations; and (9) although State has supported JIU, it has not proposed measures to establish a multi-year work program, develop comprehensive standards, or establish a recommendation follow-up system.

Open Recommendations to Agencies

The Secretary of State should establish a comprehensive strategy for strengthening JIU that identifies short- and long-term approaches for enhancing the quality of JIU reports.

Status: Action in process. State prepared comprehensive instructions,

including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to garner member support and introduce resolutions before the UN General Assembly, outlining actions needed.

The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures, including requiring JIU to provide the General Assembly with: (1) a multi-year medium-term work program that shows how JIU will allocate its resources among UN activities and issues over a specified time period; and (2) a JIU annual work plan prior to implementation.

Status: Action in process. State prepared comprehensive instructions,

including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to govern member support and introduce resolutions before the UN General Assembly, outlining actions needed.

The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures, including requiring JIU to develop and implement comprehensive written guidelines for conducting inspections and evaluations and for drafting reports.

Status: Action in process. State prepared comprehensive instructions, including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to govern member support and introduce resolutions before the UN General Assembly, outlining actions needed.

The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures,

including requiring JIU to establish a formal recommendation follow-up system and expand the JIU annual report to include sections on follow-up and JIU accomplishments.

Status: Action in process. State prepared comprehensive instructions, including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to govern member support and introduce resolutions before the UN General Assembly, outlining actions needed.

The Secretary of State should direct his representatives to closely review the JIU budget request and use the UN budget review process to question and hold the JIU more accountable.

Status: Action in process. State prepared comprehensive instructions, including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to govern member support and introduce resolutions before the UN General Assembly, outlining actions needed.

The Secretary of State should have the Department take the lead to develop ways to strengthen the inspector selec-

tion process and place more emphasis on the nomination and selection of candidates competent in inspection and evaluation skills.

Status: Action not yet initiated. No action is necessary unless JIU is restructured. Chances, at this time, of this happening are very remote.

The Secretary of State should instruct U.S. representatives to seek support for UN efforts to require JIU to: (1) devote more resources to evaluation, to include continued emphasis on UN system organizations' internal evaluation systems as well as JIU external evaluation efforts; (2) provide governing bodies with information on the external evaluations the JIU plans to conduct; and (3) document its evaluation activities, including external evaluations and efforts to promote internal evaluation, in its annual report.

Status: Action in process. State prepared comprehensive instructions, including talking points and strategy statements, to the U.S. Mission to the UN in New York. All of the recommendations herein, except one, are covered by this action and are addressed individually in the instructions. The intent is to govern member support and introduce resolutions before the UN General Assembly, outlining actions needed.

International Financial Programs

U.S. Banking Supervision and International Supervisory Principles

NSIAD-86-93, 07/25/86

Background

GAO identified the extent to which the U.S. bank regulatory agencies' regulations, policies, and procedures are

consistent with the Basle Committee's principles. The Committee, which consists of the United States and 11 other countries, agrees on principles designed to ensure adequate supervision of international banking.

Findings

GAO found that the banking supervision principles that federal bank regulatory agencies use are consistent with the Basle Committee's principles in many respects. Although the Committee

is concerned with the decreasing capital positions of banks, consolidated bank supervision and country and foreign exchange risk, U.S. banking laws and regulations adequately address those issues. The main difference between the U.S. banking agencies' policies and procedures and the Committee's principles is the limited attention that the federal and state agencies give to identifying how adequately foreign countries' home banks supervise their applications for U.S. offices. Although adequate banking supervision could be critical to the safety and soundness of the banks' U.S. offices, some state banking agencies frequently fail to contact foreign supervisors when considering the applications. Less familiarity with the Committee's activities and with foreign bank supervision could account for the limited attention that state agencies give to foreign bank supervision. In addition, most state agencies fail to ask the Federal Reserve, which has representation on the Committee, to supply them with the information it gathers on the foreign banks when they consider U.S. office applications.

Open Recommendations to Agencies

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should: (1) ensure that their agencies evaluate

the adequacy of foreign bank supervision and consider economic conditions in the home country when a foreign bank applies to establish a U.S. banking office and encourage state banking agencies to do the same; (2) encourage state banking agencies to notify foreign parent supervisory agencies when they receive foreign bank applications to establish U.S. banking offices; and (3) arrange to periodically brief state banking officials about the activities of the Basle Committee.

Status: Action in process. Estimated completion date: 03/87. OCC will implement written procedures to ensure that: (1) the adequacy of foreign bank supervision is evaluated; (2) economic conditions in home country are addressed; and (3) consideration of these factors is documented in the application files. OCC is prepared to work with other agencies to implement other recommendations.

Target: Department of the Treasury; Office of the Comptroller of the Currency

Status: Recommendation valid/action not intended. The Federal Reserve believes that a written evaluation of foreign supervisory systems is unnecessary, since existing knowledge is sufficient to address this issue. Committing it to writing would not be an efficient use of its resources. The Federal Reserve sent the Annual Report of the Basle Committee to the Conference of State Bank Supervisors

and offered to discuss the work of the Committee.

Target: Federal Reserve System; Board of Governors

Status: Action in process. FDIC will issue instructions to its staff to ensure that issues are addressed in the application record. It will also send a letter to the Conference of State Bank Supervisors conveying this recommendation and offering assistance. FDIC plans to explore means to brief states on the Basle Committee.

Target: Federal Deposit Insurance Corporation

The Chairman of the Board of Governors of the Federal Reserve Board should establish a central repository of information on foreign bank supervision and make known the availability of this information to other banking agencies to use when they receive applications to establish U.S. offices.

Status: Action taken not fully responsive. Although the Federal Reserve stated that it is against the establishment of a central repository, it also stated that: (1) it is expanding the existing collection of information; (2) it is ready to share its information with other banking agencies; and (3) it will continue to emphasize the availability of its information in contracts with state banking agencies.

Military Assistance

Transfer of Interest of U.S. Investment in the Panama Canal

AFMD-85-63, 06/19/85

Background

Pursuant to a congressional request, GAO reviewed the cash flow requirements of the Panama Canal Commission to determine the most appropriate repayment schedule for interest earned on the U.S. Government's investment in the Canal.

Findings

GAO noted that legislative history indicates that the Commission should transfer interest collections to the general fund of the U.S. Treasury, which would: (1) reduce the Commission's available fund balance and increase the general fund of the Treasury; (2) increase general fund revenue which is available for other appropriations; and (3) prevent a future buildup of collections in the Panama Canal Commission Fund. GAO also found that: (1) some obligations were being recorded at the beginning of each fiscal year (FY) that did not need to be recorded; (2) repayment of the interest would be possible in 1986 without detrimentally affecting Canal operations; (3) there was no potential for a shortfall of obligational authority; and (4) after the Commission transferred the interest to the Treasury,

it would still have sufficient cash to cover its needs if it were to draw upon the balance being held from its original appropriation. GAO noted that the Commission could obligate an amount at any time up to the balance in the Fund as long as the obligation did not exceed its annual appropriation. GAO found that: (1) the obligation to pay \$20 million to the Republic of Panama each year for the life of the Panama Canal Treaty should have been recorded at the time the commitment was made; (2) the Commission only has authority to incur obligations during a single FY; and (3) there is no need for the Commission to retain the interest collected.

Open Recommendations to Congress

In FY 1986 Panama Canal appropriation legislation, Congress should require that \$56.3 million collected, as of April 30, 1985, plus interest collected during the remainder of FY 1985, be transferred from the Commission's Fund to the general fund of the U.S.

Treasury by October 1, 1985, or shortly thereafter.

Status: Recommendation valid/action not intended.

Open Recommendations to Agencies

The Commission should discontinue recording the annual payments to Panama as new obligations.

Status: Action taken not fully responsive. The Commission disagreed with this recommendation. Follow-up on this issue will be done as part of the FY 1986 financial statement audit.

The Commission should record obligations for Defense schools and early retirement either monthly or quarterly.

Status: Action taken not fully responsive. The Commission disagreed with this recommendation. Follow-up on this issue will be done as part of the FY 1986 financial statement audit.

Military Assistance

The United States Continuing Mmunition Supply Relationship With Guatemala

NSIAD-86-31, 01/30/86

Background

Pursuant to a congressional request, GAO reviewed the extent and legality of the government's continuing military supply relationship with Guatemala.

Findings

GAO noted that: (1) the United States cut off U.S. arms sales to Guatemala between fiscal years (FY) 1978 and 1984 because the State Department cited the country for human rights violations; (2) any significant increases in military sales or assistance are linked to additional improvements in human rights; and (3) from 1978 through 1984, Guatemala obtained military and dual-use equipment through U.S. companies' commercial sales. GAO found that: (1) the State Department controls arms sales by requiring licenses for the export of munition items; (2) approvals for licensed munition items peaked in FY 1979 at 62 percent,

but dropped to a low in FY 1982; (3) all exported items controlled by the Department of Commerce are contained in the Commodity Control List, which identifies items for export control for mutual security reasons; and (4) Commerce approved applications for exports to the Guatemalan military totalling \$55 million and \$61 million to nonmilitary government agencies from January 1978 to February 1985. GAO also found that: (1) there was an illegal transfer of 10 U.S. M-41 tanks from Belgium to Guatemala in 1982; (2) there was no record of a request to transfer any M-41 tanks to Guatemala; (3) no foreign military sales (FMS) or military assistance program financing had been approved for Guatemala from FY 1976 through 1985; and (4) a \$10 million FMS credit request for 1986 has been appropriated, but the appropriation restricts the types of assistance and is subject to the election of a civilian government and progress in human rights conditions.

Open Recommendations to Agencies

The Secretary of State should take steps to ensure that the department's information retrieval capabilities are such that all intended destinations can be easily identified.

Status: Action in process. State received money to rewrite its computer program in FY 1986, and actually started the process, but its budget was cut in FY 1987 and it had to suspend these efforts. State is working with companies that have not done much business with OMC to file all applications for troubled countries on separate applications.

Military Assistance

Collecting Research and Development Costs on Commercial Military Sales

NSIAD-86-44, 02/28/86

Background

GAO reviewed the Department of Defense's (DOD) procedures for identifying, monitoring, and collecting non-recurring research, development, and production costs applicable to commercial sales licensed for export by the Departments of State and Commerce.

Findings

GAO noted that prior internal audits and congressional reports have concluded that millions of dollars have been lost because effective procedures have not been established for the collection of nonrecurring research and development costs. GAO found that: (1) DOD is not aware of most commercial sales agreements between defense

contractors and foreign entities; (2) DOD cannot ensure that recoupments are collected; (3) although commercial sales of defense-related articles between U.S. companies and foreign entities require U.S. Government export licenses, the Department of State grants most licenses without consulting DOD; and (4) although the Department of Commerce is responsible for identify-

ing products that need export controls, the vast majority of applications for Commerce export licenses involve low technology products which do not involve significant military risks and, therefore, DOD does not review them. GAO also found that: (1) the military services were not aware of 44 Department-of-State-issued licenses which carried recoupment charges; (2) 14 of the 52 Commerce-issued licenses warranted a recoupment charge; (3) the descriptions used on the licenses were not sufficient to determine what was being exported or the correct charge; (4) U.S. representatives did not always forward contractor payments to the appropriate military service in a timely manner; and (5) although there are procedural deficiencies in the collection of nonrecurring costs, DOD has collected most nonrecurring costs associated with commercial sales.

Open Recommendations to Agencies

The Secretary of Defense should take action to revise the Q1112 report to include contractor identity.

Status: Action in process. The Q1112 will be revised to include contractor identity.

The Secretary of Defense should take action to ensure that the Defense Security Assistance Agency (DSAA) and the military departments develop and implement procedures to surface disputes within their respective areas of responsibility.

Status: Action in process. DSAA has drafted guidance on how to surface disputes, and it is awaiting final signature.

The Secretary of Defense should take action to develop procedures, in conjunction with the Secretaries of State and Commerce, requiring that DOD be advised of shipments of more than \$1 million.

Status: Action in process. DOD and State concurred with this recommendation. State agreed to establish procedures to send copies of all licenses valued over \$1 million to DOD. The DOD position is that implementation of this recommendation depends on support from State and Commerce.

The Secretary of Defense should take steps to ensure that a focal point for monitoring commercial sales is designated.

Status: Action in process. Action has been initiated to revise regulations accordingly. The contracting officer is to be informed of commercial sales.

Military Assistance

Panama Canal Commission's Financial Statements FY 1984 and 1983

AFMD-86-15, 04/08/86

Background

GAO reviewed the Panama Canal Commission's (PCC) financial statements as of September 30, 1984 and 1983 to assess whether PCC internal accounting controls and auditing procedures were in compliance with applicable laws and regulations.

Findings

GAO noted that: (1) PCC prepared its financial statements according to accounting principles prescribed in the Panama Canal Act, which differ in some respects from generally accepted accounting principles; and (2) the act requires PCC to compute the inter-

est on the U.S. investment in the Panama Canal and provide a formula for determining and adjusting the amount of the investment. GAO found that: (1) PCC incorrectly reduced the U.S. interest-bearing investment by the amount of interest due each year; (2) incorrect interest reductions amounted to \$52 million for the years October 1, 1979 through September 30, 1984; (3) although there were no material weaknesses in the PCC internal control system, the organizational location of its internal audit function did not meet generally accepted auditing standards for independence and impartiality; (4) navigational improvement project costs were expended in compliance with PCC approved capitalization policies; and (5) except for the improper establishment of

a reserve for future floating equipment repairs and the effects of computing interest on the U.S. investment in the canal, PCC complied with the laws and regulations for the transactions tested for the years ended September 30, 1984 and 1983.

Open Recommendations to Agencies

The Administrator, PCC, should include in the PCC next submission a proposal to raise toll rates to fund the reserve for floating equipment repairs.

Status: Recommendation valid/action not intended. The proposal to raise toll rates to fund the reserve for floating equipment repairs will be included in the fiscal year 1986 audit of PCC.

States investment account by \$52 million to reflect the proper balance and establish a liability account in favor of the United States for the interest not collected.

was obtained by requiring prospective interest to be deposited in the Treasury. Discussions with congressional committees are continuing to resolve the issue.

The Administrator, PCC, should increase the interest-bearing United

Status: Action taken not fully responsive. Only a partial resolution

Military Assistance

Nonrecurring Costs: Improvements Needed in DOD Cost Recovery Efforts

NSIAD-86-95, 04/18/86

Background

GAO reviewed Department of Defense (DOD) efforts to recover nonrecurring costs of major defense equipment sold abroad and reported on: (1) problems with the current pro rata system of cost recovery; and (2) an alternative flat rate method for improving cost recovery.

Findings

The Arms Export Control Act requires DOD to charge major defense equipment buyers a proportionate share of nonrecurring research, development, and production costs. The DOD pro rata system of calculating charges by estimating total nonrecurring costs and dividing that by an estimate of the total production quantity results in inaccuracy because of: (1) DOD inability to accurately predict future costs; (2) DOD inability to accurately predict future U.S. and foreign quantity requirements; (3) errors in calculating and applying common costs to old and new generation weapon systems; (4) inconsistencies in establishing a pro rata charge for weapon systems components; and (5) DOD policy not to revise charges unless they increase or decrease by at least 30 percent. GAO noted that, to

improve the pro rata system's accuracy, DOD would have to constantly accumulate, review, and update cost and quantity information to make the necessary charge adjustments. GAO found that, by using an alternative flat rate system, DOD could establish a percentage recoupment rate to apply to the acquisition price of all equipment sold abroad. A flat rate approach: (1) would simplify the existing complex administrative review process; (2) could be applied to all defense equipment sales; and (3) would not be subject to the adjustments required by pro rata calculations. DOD believes that, because this approach does not attempt to recover a proportionate share of investment on individual items, it would require an amendment to the act.

Open Recommendations to Agencies

The Secretary of Defense should decide whether to improve the current system or develop a new approach to recover the nonrecurring costs of major defense equipment sold abroad. If the current pro rata system is continued, the Secretary of Defense should direct the Assistant Secretary of Defense

(Comptroller) to revise DOD current guidance relative to recouping nonrecurring research, development, and production costs. The revisions should: (1) rescind the current policy of not revising charges unless they increase or decrease by at least 30 percent so that all pro rata charges are based on the most current cost and quantity estimates; and (2) include guidance for calculating a commonality factor between weapon system models and applying that factor when determining charges.

Status: Action in process. DOD is giving serious consideration to adopting the new approach. A decision on this is expected soon.

The Secretary of Defense should direct the Defense Security Assistance Agency to ensure that the military services calculate and recoup pro rata charges on the sale of components of major weapon systems as required by DOD Directive 2140.2.

Status: Action in process. DOD is giving serious consideration to adopting a new approach. A decision on this is expected soon.

Multiple Functions

Congress Should Consider Revising Basic Corporate Control Laws

PAD-83-3, 04/06/83

Background

GAO reviewed the basic corporate control laws in the context of the accountability of government corporations and identified deficiencies in the application of these controls.

Findings

Because many corporations have been established outside the purview of these laws, they no longer provided the effective controls that Congress intended. In examining the accountability controls that are specified in 31 U.S.C. 9101-9109 and in the individual corporations' enabling legislation, GAO found that current controls, including financial audit, budget reporting and review, and Treasury financial control, are not uniformly applied. Other controls such as program audit and oversight and on-budget reporting are not addressed. These provisions of law distinguish between wholly owned and mixed-ownership corporations which provide a mechanism for applying accountability controls. The mechanism is conceptually sound; however, there are some deficiencies in its application. The laws do not define government corporations separate from the wholly owned and mixed-ownership corporations. Additionally, the law does not provide a classification or controls for these corporations. These deficiencies create confusion and weaken accountability. GAO believes that, while a broad range of federal accountability controls is needed for these corporations, standard definition and classification criteria are essential

if the controls are to be developed appropriately and applied consistently and effectively.

Open Recommendations to Congress

Congress should consider revising title 31, section 9105, of the U.S. Code to cover predominately private corporations when federal financing has been used.

Status: Action not yet initiated.

Congress should consider amending title 31, section 9101, of the U.S. Code to include a definition that describes government corporations and a list of their common powers or attributes.

Status: Action not yet initiated.

Congress should consider establishing uniform accountability standards for government corporations, including a definition, classification criteria, and general accountability standards for all government corporations. This could be done by revising the basic corporate controls, 31 U.S.C. 9101-9109.

Status: Action not yet initiated.

Congress should consider granting authority for annual audits or GAO review of annual CPA audits to ensure consistency with standards.

Status: Action not yet initiated.

Congress should consider expanding 31 U.S.C. 9105 or adding a new provision of law to provide for periodic program review of these congressionally authorized programs. The revision could also require submission of annual reports to Congress for all corporations.

Status: Action not yet initiated.

Congress should consider the need for on-budget reporting of financial transactions for all corporations receiving federal capital, appropriations, or borrowing. Sections 9103 and 9104 of 31 U.S.C. could be revised to provide for congressional review of the budgets of mixed federal/private and predominately private corporations receiving federal financing in addition to those of predominately federal corporations.

Status: Action not yet initiated.

Congress should consider the applicability of sections 9107 and 9108 of 31 U.S.C. to all government corporations. Currently, Treasury approval of accounts and security obligations only applies to 24 of the 47 government corporations listed in the GAO inventory.

Status: Action not yet initiated.

National Defense

DOD Should Restructure the March Air Force Base Test of Veterans Administration-Developed Software

IMTEC-85-14, 09/11/85

Background

GAO reported on its review of the Tri-Service Medical Information System Program (TRMIS) established by the Department of Defense (DOD) to consolidate Army, Navy, and Air Force efforts in developing computer systems for their hospitals and clinics. GAO specifically addressed the DOD test of the Veterans Administration's (VA) software at March Air Force Base (AFB), California.

Findings

GAO found that the Composite Health Care System (CHCS) was the most costly and complex of four health care computer systems that DOD planned to acquire. VA had already established the Decentralized Hospital Computer Program to support its hospitals and other facilities in the same functions as those in CHCS, although CHCS would provide features not currently

available with VA software. In October 1984, Congress, concerned about the substantial sums required for the CHCS procurement, questioned the validity of the VA software evaluation initiated by DOD and directed DOD to proceed with the testing of VA software at March AFB to determine its feasibility and cost-effectiveness. GAO found that the test's proposed scope was too narrow to provide the necessary information, since DOD was not planning to test all the available software modules in the VA system. DOD was reluctant to expand the test, claiming that it had satisfied congressional concerns that VA software be fairly evaluated by including in the CHCS procurement process a requirement that one of the initial vendors adapt VA software to meet the CHCS specifications. GAO disagreed, concerned that the vendor would be required to modify VA software to meet CHCS specifications, adding cost and complexity to the resulting system. GAO found that an adapted VA system

could become the basis for obtaining an alternative health-care computer system if the CHCS procurement should exceed approved funding levels or face long delays.

Open Recommendations to Agencies

DOD should expand the March AFB test to include adapting all available VA software modules at their current functional levels.

Status: Action in process. Congress mandated the recommended expanded test which DOD is currently planning to undertake. DOD planned final contractor evaluation of the expanded VA software test for August 1986; however, this date has slipped.

Atomic Energy Defense Activities

Environment and Workers Could Be Better Protected at Ohio Defense Plants

RCED-86-61, 12/13/85

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) effectiveness in protecting its workers, the community, and the environment at three of its defense production facilities.

Findings

GAO noted that: (1) in two previous reports, it recommended that DOE develop a system to independently verify environmental monitoring data reported by contractors; and (2) DOE did not adopt the recommendation because it believed the contractors' quality assurance programs provided an

effective method for ensuring the reliability of data. GAO found that: (1) each Ohio contractor collects, evaluates, and reports its own radioactive air and water releases; (2) quality assurance programs help ensure that water and air samples are accurately analyzed but do not verify that data collected are adequate; (3) each plant had environmental problems which resulted in

groundwater, soil, or drinking water contamination; (4) two of the plants were not in compliance with hazardous waste laws; and (5) one of the plants was not in compliance with state permits because it had not completed two of four pollution control projects. GAO also found that: (1) the contractors did not always follow the DOE radiological monitoring guide which recommends that they monitor on- and off-site wells to assess environmental impacts of plant operations; (2) DOE did not adopt the recommendation that radiological monitoring guides be mandatory for all DOE facilities because it believed contractors would lose flexibility in designing their monitoring programs; (3) contractors received sizeable fees even though environmental safety and

health (ES&H) problems existed; and (4) DOE appraisal programs were not identifying major ES&H problems.

Open Recommendations to Agencies

The Secretary of Energy should require that radiological monitoring guides be mandatory for all DOE facilities.

Status: Action in process. Estimated completion date: 02/87. The Environment and Health Office requested information from field offices to help determine what guides should be made mandatory. The information provided was used to develop a draft regula-

tion which is circulating for comment within DOE.

The Secretary of Energy should develop a coordinated DOE/state/contractor system to verify contractor-reported data.

Status: Action in process. Estimated completion date: 02/88. The Environment and Health Office requested information from field offices on how they independently verify contractor information in preparation for working with EPA, states, and contractors to develop a verification mechanism. The requested information is being used to develop an implementation plan.

Atomic Energy Defense Activities

Department of Energy's Transuranic Waste Disposal Plan Needs Revision

RCED-86-90, 03/21/86

Background

Pursuant to a congressional request, GAO reviewed certain aspects of the Department of Energy's (DOE) Transuranic (TRU) Waste Disposal and Defense Waste Management Plan to determine: (1) whether the plan covers the permanent disposal of all TRU waste; (2) whether the plan identifies all costs for the permanent disposal of TRU waste; and (3) the status of DOE efforts to resolve environmental and safety issues related to the permanent disposal of TRU waste.

Findings

TRU waste consists of discarded materials contaminated with manmade radioactive elements that can be dangerous if inhaled or ingested and can remain radioactive for thousands of years. DOE generates TRU waste from its defense weapons production, research, development, and testing

activities. Prior to 1970, DOE buried TRU waste in shallow pits; however, it determined that TRU waste should be stored at six facilities until there was a safe, permanent disposal method, and Congress required DOE to set a plan for the permanent disposal of TRU waste. GAO found that the plan does not: (1) explain the DOE position concerning the permanent disposal of pre-1970 buried waste and is silent concerning contaminated soil; (2) disclose that some TRU waste, such as large equipment, may not meet its disposal facility's disposal criteria; (3) include costs for disposing of buried waste, contaminated soil, and waste not acceptable to the disposal facility; and (4) provide details on environmental and safety issues or discuss the types of or timing for environmental analyses needed before operations begin. DOE has begun efforts to resolve TRU waste environmental and safety issues to comply with National Environmental Policy Act requirements and continues to assess: (1) its facili-

ties' structural integrity; (2) the safe transportation of TRU waste; and (3) the safe disposal of buried waste and contaminated soil.

Open Recommendations to Agencies

The Secretary of Energy should revise the plan and submit it to all legislative, authorization, appropriations, and oversight committees to include: (1) specific plans for the permanent disposal of buried waste, contaminated soil, and difficult-to-certify waste; (2) cost estimates for the permanent disposal of TRU waste, including the options for buried waste, contaminated soil, and difficult-to-certify waste, processing and certifying newly generated TRU waste, decontamination and decommissioning of TRU waste processing facilities, and interim operations; and (3) specific and detailed discussions of environmental

and safety issues for the permanent disposal of TRU waste.

Status: Action in process. DOE expects to implement this recommen-

ation and issue a report by June 30, 1987.

Atomic Energy Defense Activities

Nuclear Safety: Safety Analysis Reviews for DOE's Defense Facilities Can Be Improved

RCED-86-175, 06/16/86

Background

Pursuant to a congressional request, GAO reported on the adequacy of the Department of Energy's (DOE) safety analysis reviews (SAR) for its existing nuclear defense facilities. GAO examined eight facilities to determine the effectiveness of DOE efforts to protect workers and the environment.

Findings

GAO found that: (1) DOE did not approve the reviews for three of the eight facilities, each of which had the potential for significant on-site or off-site releases of radioactive material in a major accident; (2) the reviews' safety design criteria varied considerably between the facilities; (3) the reviews used different approaches to identify and analyze potential accidents at DOE facilities, with some approaches being more comprehensive than others; and (4) DOE reviewed and approved the reviews internally, which precluded an independent review process.

Open Recommendations to Agencies

The Secretary of Energy should complete and approve SAR for all high-hazard facilities in a timely fashion.

Status: Action in process. Estimated completion date: 01/87. DOE plans to have all SAR approved for existing facilities by January 1987.

The Secretary of Energy should require that SAR include a detailed comparison of the plant against current DOE design criteria, highlighting and explaining any deviations.

Status: Action in process. DOE indicated that its SAR will include a comparison of the plant against DOE design criteria when SAR are updated.

The Secretary of Energy should develop more consistent requirements to be fol-

lowed in preparing reviews, outlining appropriate methodologies and assumptions to be used in analyzing accidents and their consequences.

Status: Action in process. DOE is developing more consistent requirements, but it is not clear at this time how they will be applied in preparing SAR.

The Secretary of Energy should establish an arrangement with an outside independent organization to review those SAR for the most hazardous facilities. This could be accomplished either by establishing a working arrangement with the Nuclear Regulatory Commission (NRC) or an independent review panel.

Status: Action taken not fully responsive. DOE does not believe that outside reviews of its SAR are needed.

Atomic Energy Defense Activities

Environmental Issues at DOE's Nuclear Defense Facilities

RCED-86-192, 09/08/86

Background

Pursuant to a congressional request, GAO: (1) identified key environmental issues at nine Department of Energy (DOE) nuclear defense facilities; and (2) evaluated the status of DOE efforts to strengthen its environmental, safety, and health oversight programs.

Findings

GAO found that: (1) eight facilities have groundwater contaminated with radioactive or hazardous substances at levels higher than the proposed standards; (2) although six facilities have soil contamination in unexpected areas, including off-site locations, DOE sees a potential public health threat at only one of the facilities; (3) four facilities are not in full compliance with the Clean Water Act; (4) to obtain permits under the Resource Conservation and Recovery Act (RCRA), all nine facilities are significantly changing their waste disposal practices by closing existing disposal facilities or building new treatment facilities; and (5) it may cost over

a billion dollars to bring the facilities into full compliance with environmental laws and obtain the necessary permits.

Open Recommendations to Agencies

The Secretary of Energy should establish a groundwater and soil protection strategy that would reflect DOE policy on the extent groundwater and soil can become contaminated and include specific guidelines, to the extent practical, to protect groundwater and soil around DOE facilities.

Status: Action not yet initiated. DOE has not responded to this recommendation.

The Secretary of Energy should provide to Congress a comprehensive report setting forth DOE plans, milestones, and cost estimates for bringing DOE defense facilities into compliance with all applicable environmental laws.

Status: Action not yet initiated. DOE has not responded to this recommendation.

The Secretary of Energy should provide for independent inspections of DOE operations in regard to the treatment and disposal of any mixed waste that may be exempt from RCRA regulation.

Status: Action not yet initiated. DOE has not responded to this recommendation.

The Secretary of Energy should revise DOE Order 5480.2 governing hazardous and mixed waste to reflect how waste operations will be managed in the future.

Status: Action not yet initiated. DOE has not responded to this recommendation.

Defense-Related Activities

Opportunities Exist To Reduce Operating Costs of the Department of Defense Overseas Dependents Schools

HRD-82-86, 08/26/82

Background

GAO reviewed the opportunities for savings in the teacher substitution and pupil transportation programs in the Department of Defense Dependents Schools (DODDS) system.

Findings

Department of Defense (DOD) policy states that teachers who reside in the United States should be hired only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. However, a large num-

ber of substitute teachers are needed and local applicants constitute the only source to meet demand. As a result, some principals are reluctant to hire local applicants as full-time teachers. The high demand for substitutes is attributable primarily to the tightly

structured rules covering accumulated leave-time among teachers which causes them to take their maximum earned leave-time to avoid forfeiting it. Hiring teachers in the United States is substantially more costly than hiring teachers locally; therefore, restructuring the leave-time regulations would lead to a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. DODDS has budgeted approximately \$37 million for pupil transportation in fiscal year 1982. GAO found that military installation commanders, who are responsible for providing pupil transportation, have not made cost comparisons and other analyses to ensure that the most economical busing services are used. GAO believes that until the military services undertake these cost-effective analyses, cost savings in busing services will not be realized. GAO concluded that savings to DODDS could be achieved by reducing the demand for substitute teachers and identifying the most economical mode of pupil transportation.

Open Recommendations to Agencies

The Secretary of Defense should require the Director, DODDS, to establish and

maintain a data base on the numbers of: (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel; and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.

Status: Action in process. Actions to comply with this recommendation were linked to another DOD study. DODDS was placed under an administrative hiring freeze until the Office of the Assistant Inspector General (OAIG) accepts the implementation plan for the other study.

The Secretary of Defense should: (1) ensure that busing cost comparisons and other analyses are performed in all overseas communities where students are bussed to DODDS and that military communities forward the results of the analysis to DODDS regions along with explanations, if the lowest cost alternative is not selected; (2) instruct the military departments to consider structuring contracts for pupil transportation services to allow competition by smaller companies and using multiyear contracting where it promises to reduce the cost of bussing to the U.S. Government;

and (3) ensure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.

Status: Action in process. Actions to comply with this recommendation were closely linked to another DOD study. DODDS was placed under an administrative hiring freeze until the OAIG accepts the implementation plan for the study.

The Secretary of Defense should require the Director, DODDS, to ensure that regional offices develop an information base and commit the resources necessary to: (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology; and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.

Status: Action in process. Actions to comply with this recommendation were closely linked to another DOD study. DODDS was placed under a hiring freeze until the OAIG accepts the implementation plan for that study.

Defense-Related Activities

Navy Can Improve Management of Shipyard Labor Resources Through Better Work Measurement Practices

NSIAD-84-96, 04/24/84

Background

GAO reviewed the adequacy of the Navy shipyard work measurement and cost accounting systems.

Findings

GAO has previously reported that the Navy needed to improve its work measurement and cost accounting systems

to effectively control rising labor costs. Although the Navy has taken some corrective action, GAO found that, overall, the Navy has given work measurement and labor costing low priority. As a result, many problems still exist, including: (1) improper documentation of labor standards; (2) lack of justification by shipyard planners for increased work time allowances; and

(3) incorrect application of standards for determining estimated job costs. Further, personnel responsible for monitoring employee labor-charging activities have not been able to determine the extent of time mischarged, and individuals administering work measurement and cost accounting activities have not been held fully accountable for their performance. The Naval Sea

Systems Command (NAVSEA) has issued instructions emphasizing the need to implement effective work measurement systems and ensure accurate time charges for shipyards and has initiated programs to identify problems with estimating procedures and labor charging. However, progress toward these goals has been impeded by various problems, including the lack of a firm commitment by management to operating and maintaining a viable work measurement system and a lack of staff to effectively administer work measurement activities. GAO stated that, although it is difficult to estimate the impact of these weaknesses on labor costs, studies have shown that millions of dollars can be lost through low productivity.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSEA, to: (1)

establish an improved work measurement system by ensuring that labor standards are properly set, supported, and used in calculating "should cost" allowances; (2) identify and provide the staff required to effectively administer work measurement programs and to do work measurement studies; and (3) develop training policies and plans which improve the skills required of those who administer, develop, and upgrade shipyard labor standards.

Status: Action in process. Estimated completion date: 02/87. Numerous initiatives are underway to improve work planning and execution. Work on a revised Methods and Standards Manual will begin in the spring of 1987. Staffing requirements will be evaluated as work load is defined and implemented, and training is being planned.

The Secretary of the Navy should direct the Commander, NAVSEA, to implement stronger controls to validate the accuracy of labor-charging practices by making sure that labor checks are done more frequently, are done in the prescribed format, and are used to help management correct problems, such as those relating to rework and lost time.

Status: Action in process. Estimated completion date: 02/87. NAVSEA plans to conduct compliance audits developing a training program stressing cost charging and control. It prepared draft NAVSEAINST 7600, policy and guidance for labor checking, establishing disciplinary action for deliberate mischarging.

Defense-Related Activities

Army's Progress in Implementing the Federal Managers' Financial Integrity Act

ISIAD-85-149, 09/27/85

Background

GAO reviewed the Army's compliance with the Federal Managers' Financial Integrity Act to: (1) determine whether actions taken by the Army as a result of the act are improving its internal controls and accounting systems; (2) evaluate the Army's progress in implementing its internal controls and accounting systems; and (3) assess the adequacy of the Army's basis for determining that the requirements of the act have been met.

Findings

GAO found that: (1) the commitment of Army managers to the goals of the act is evidenced by the large number of material weaknesses reported by a variety of Army sources; (2) many of the material

weaknesses identified by the Army are program- or location-specific; and (3) Army managers appear to be taking corrective actions to correct reported material weaknesses. However, GAO also found that the Army has had difficulties in evaluating compliance with the act because of: (1) inconsistent and unclear field evaluation guidance; (2) the lack of supporting documentation for vulnerability assessments; and (3) its failure to provide guidance on what organizational units should be evaluated. In addition, GAO found that the Army's reviews of its accounting systems were inconsistent and incomplete and did not provide an adequate basis for reporting that certain accounting subsystems were in conformance with the Comptroller General's standards for accounting systems.

Open Recommendations to Agencies

The Secretary of the Army should not report that the Army's systems of internal accounting and administrative control meet the requirements of the act until the evaluation program has developed to a point where a coordinated Army-wide analysis of all functions is performed.

Status: Recommendation valid/action not intended. The Army claims to have reasonable assurance through FIA activities and various other sources, such as audit reports, management reviews, Army instructions and guide-

lines, and the Army command structure.

The Secretary of the Army should direct that a comprehensive tracking and follow-up system be established and used to ensure correction of accounting

systems deficiencies before the systems are reported in conformance.

Status: Action in process. Estimated completion date: 12/86. The Army's automated system specifications are being developed based on perceived

Army needs. Although the system may differ slightly from GAO recommendations, it will provide all of the GAO information requirements.

Defense-Related Activities

Air Force's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-151, 09/27/85

Background

GAO reviewed the Air Force's continuing efforts to implement and comply with the Federal Managers' Financial Integrity Act and assessed: (1) its progress in improving internal controls and accounting systems' compliance evaluations; and (2) the adequacy of the basis for the Air Force's letter to the Secretary of Defense which stated that the objectives of the act had been met.

Findings

GAO found that the Air Force has: (1) improved its internal control systems; (2) made progress toward correcting weaknesses; (3) improved its evaluation programs; and (4) established the overall framework for an effective program. However, more improvements are needed before it will have an adequate basis for determining that its internal controls, taken as a whole, comply with the requirements of the act. To enhance its future basis for determining the overall status of its internal controls for reporting compliance with the requirements, the Air Force needs to improve: (1) guidance for performance and documentation of internal control reviews (ICR) and vulnerability assessments; (2) coverage of automatic data processing (ADP) application controls; (3) quality assurance reviews; (4) evaluation and testing of

accounting systems in operation; and (5) analysis of its fiduciary and management accounting capabilities in non-conforming systems.

Open Recommendations to Agencies

The Secretary of the Air Force should not report that the Air Force's systems of internal accounting and administrative control, taken as a whole, meet the requirements of the act until the internal controls evaluation program is improved.

Status: Recommendation valid/action not intended. The Air Force believes that its system of controls including ICR, IG audits and inspections, and its internal self-inspection program provides reasonable assurance.

To form an adequate basis for determining that the requirements of the act have been met, the Secretary of the Air Force should direct the Comptroller of the Air Force to ensure that: (1) managers who perform vulnerability assessments and ICR are adequately trained; (2) ADP general and application control reviews are incorporated into ICR; (3) Department of Defense ADP Internal Control Guidelines are

included as part of the Air Force's guidance and approach for consideration and evaluation of ADP internal controls; (4) responsible officials at all levels of the organization effectively perform their quality assurance responsibilities; (5) an inventory of accounting systems is promptly completed; and (6) appropriate manual and ADP accounting systems controls are tested in operation as an integral part of the evaluation process.

Status: Action in process. Estimated completion date: 12/86. Directions were either approved or in draft to comply with this recommendation.

The Secretary of the Air Force should ensure that accounting systems not be reported in conformance with the Comptroller General's requirements, nor that nonconforming accounting systems satisfactorily support fiduciary and management accounting responsibilities until the Air Force's accounting systems have been adequately evaluated and tested in operation.

Status: Recommendation valid/action not intended. The Air Force followed OMB and DOD guidance to evaluate its accounting systems, and they were periodically reviewed for operational systems conformance.

Defense-Related Activities

Personnel Radiation Exposure Estimates Should Be Improved

RCED-86-15, 11/08/85

Background

In response to a congressional request, GAO reviewed certain issues concerning radiation safety activities during the 1946 Operation Crossroads nuclear test to answer questions raised by private citizens about the accuracy of the Defense Nuclear Agency's (DNA) radiation exposure estimates, which are used by the Veterans Administration (VA) in adjudicating former participants' radiation-related disability claims. These issues concerned the: (1) reliability of the radiation dose film badges used; (2) adequacy of the personnel decontamination procedures; (3) appropriateness of the military response to recommendations made by the radiological safety office regarding safety issues; and (4) accuracy of DNA reconstruction efforts.

Findings

The DNA report on Operation Crossroads concluded that personnel had not been overexposed to radiation, based on data recorded on film badges worn by about 6,300 of the 42,000 participants and reconstructed external and internal radiation dose estimates for the participants. GAO found that the exposure estimates for each of the four radiation types may need adjustment because: (1) the film badges were not reliable for measuring both external gamma and beta radiation, as intended, and were not worn by all Crossroads participants; (2) personnel decontamination procedures did not provide adequate protection for Crossroads personnel throughout the operation; and (3) the DNA dose reconstruction analysis for alpha and beta radiation did not properly estimate the possible personnel exposure from inhalation, ingestion, or open wounds.

Open Recommendations to Agencies

The Secretary of Defense should direct DNA to adjust, where feasible, the Crossroads participants' exposure estimates by assigning, given the limited sensitivity range of the Crossroads film, some external gamma radiation dose to each film badge that was reported to have read zero and developing an error range for each Crossroads film badge reading that recognizes film and film processing inaccuracies.

Status: Action in process. The Department of Defense (DOD) believes that its exposure estimates for Crossroads personnel already account for inaccuracies associated with film badges. Nonetheless, it has asked the National Academy of Sciences to conduct a study of film badge uncertainties for all previous atmospheric nuclear tests, including Operation Crossroads.

The Secretary of Defense should direct DNA to adjust, where feasible, the Crossroads participants' exposure estimates by estimating the extent to which personnel received additional radiation exposure from a lack or violation of comprehensive decontamination procedures.

Status: Recommendation valid/action not intended. DOD does not believe there was a lack of comprehensive personnel decontamination procedures at Crossroads.

The Secretary of Defense should direct DNA to adjust, where feasible, the

Crossroads participants' exposure estimates by reevaluating and disclosing the possible errors or uncertainties associated with its analysis of internal radiation exposure by inhalation.

Status: Action in process. DOD does not believe any errors or uncertainties exist in its analysis of internal radiation exposure by inhalation. Nonetheless, DOD indicated that it would be willing to partially fund a mortality study to establish whether there have been any higher incidents of death among the Crossroads veterans.

The Secretary of Defense should direct DNA to adjust, where feasible, the Crossroads participants' exposure estimates by analyzing possible internal radiation exposure from ingestion or through cuts or open wounds; moreover, with respect to ingestion, assessing those scenarios that offered the greatest opportunity for internal radiation exposure, such as when crews remained target ships after Operation Crossroads.

Status: Recommendation valid/action not intended. DOD does not believe it needs to analyze possible internal radiation exposure from ingestion or through cuts or open wounds because a worst-case scenario of each pathway shows that internal exposure doses would have been low.

The Secretary of Defense should direct DNA to adjust, where feasible, the Crossroads participants' exposure estimates by reassessing the accuracy of the external beta radiation dose information for those Crossroads participants who wore film badges and, given that

all Crossroads participants did not wear film badges, performing a dose reconstruction for external beta radiation.

Status: Recommendation valid/action not intended. DOD does not believe it needs to adjust its external beta radiation dose estimates because external beta radiation has not been shown to be a long-term health hazard.

The Secretary of Defense should require DNA to document, where any of the preceding actions have been determined not to be feasible, the reasons for each

such determination so that the military services can provide this information to VA and the affected veterans.

Status: Recommendation valid/action not intended. DOD does not plan to implement this recommendation.

The Secretary of Defense should direct DNA, in implementing its new standards for reporting radiation exposure estimates to VA, to not only require the military services to disclose the error range associated with reconstruct-

ed exposure estimates but also require them to disclose the error range associated with individual film badge readings.

Status: Action in process. DOD has requested the National Academy of Sciences to conduct a study of film badge accuracy. DOD stated that it will adopt a course of action if such a study determines a need for reporting the possible error in film badge readings reported to VA.

Defense-Related Activities

DOD Revolving Door: Many Former Personnel Not Reporting Defense-Related Employment

NSIAD-86-71, 03/04/86

Background

Pursuant to a congressional request, GAO evaluated the employment disclosure process for Department of Defense (DOD) and contractor employees, focusing on: (1) whether former DOD employees are reporting post-government employment as required; and (2) measures that could be taken to improve the process. Federal law requires former military officers, senior civilian employees, and contractor employees to report their post-government employment to ensure that: (1) DOD personnel who anticipate contractor employment do not use their positions to gain favor with contractors; and (2) former DOD personnel do not use their contacts with former colleagues to the detriment of the government.

Findings

GAO found that: (1) of the almost 12,000 employees holding security clearances who left DOD to work with defense contractors in 1983, more than 50 percent were exempted from filing a disclosure form because they were not

working at a major defense plant; (2) only about 30 percent of those required to file a form did so; and (3) only the Air Force reminds its retired officers annually of the reporting requirement. In addition, GAO found that: (1) DOD and the services limit the degree to which they review disclosure forms because no written guidance exists for reviewing forms and the reported information is insufficient to detect possible conflicts of interest; and (2) recent amendments to the disclosure law increase the amount of information that former DOD and contractor employees must report.

Open Recommendations to Agencies

The Secretary of Defense should require the services to annually inform all covered former personnel of the requirement to report defense-related employment for 2 years after their separation.

Status: Action in process. Estimated completion date: 10/87. DOD is processing and implementing DOD Directive 5500.7, to be effective in fiscal year (FY) 1987.

The Secretary of Defense should require that defense-related employment reports contain information on the type and extent of contact current defense contractor employees had with the contractors when they were with DOD, and vice versa.

Status: Action in process. Estimated completion date: 10/87. DOD is processing and implementing DOD Directive 5500.7, to be effective in FY 1987.

The Secretary of Defense should require that the services establish a formal review process with written guidance for reviewers to use in detecting possible conflicts of interest.

Status: Action in process. Estimated completion date: 10/87. DOD is processing and implementing DOD Directive 5500.7, to be effective in FY 1987.

Defense-Related Activities

DOD Fraud Hotline: Generally Effective but Some Changes Needed

AFMD-86-9, 03/21/86

Background

Pursuant to a congressional request, GAO evaluated the efficiency of the Department of Defense (DOD) Fraud Hotline as a means of receiving and processing allegations of waste, fraud, and mismanagement in DOD, focusing on: (1) the adequacy of Hotline procedures for receiving, recording, and referring allegations for investigation; (2) the independence of investigators working on Hotline allegations; (3) the completeness and thoroughness of the investigative work; and (4) the extent of Hotline staff efforts to review and analyze completed investigative report findings for possible patterns, trends, and systematic weaknesses in DOD programs and operations.

Findings

In its analysis of 127 investigated allegations, GAO found that: (1) the individuals who investigated the allegations were not always sufficiently objective; (2) some of the cases lacked sufficient documentary evidence to fully support the investigator's statements and conclusions; (3) the investigative reports were incomplete and did not comply with DOD reporting requirements; and (4) the Hotline staff did not comply with policies for following up on completed investigations. Further, the Hotline has no formal process for evaluating

the quality of the investigative efforts. Since the Hotline has been under the DOD Office of the Inspector General (OIG), adequate policies and procedures have been established for receiving, controlling, and screening allegations. Without a proper quality review process and standardized review criteria, there is no way for the Hotline to ensure the quality and consistency of the work being done on the allegations.

Open Recommendations to Agencies

To ensure that DOD Hotline allegations are being investigated independently, objectively, and thoroughly, the Secretary of Defense should reemphasize to the Secretaries of the Army, Navy, and Air Force the need to ensure that: (1) DOD Hotline allegations are investigated by individuals who are independent and objective; and (2) investigations are properly documented and thoroughly reported.

Status: Action in process. Estimated completion date: 12/86. DOD is taking action to implement this recommendation.

The Inspector General (IG), DOD, should revise DOD Directive 7050.1 to provide the services with better

guidance on the types of documents and evidence, which should be obtained and kept in Hotline-type investigative case files, and enforce the requirements and standards contained in Directive 7050.1, as revised. For example, IG could establish a process to periodically perform a quality assurance review on selected closed investigations to: (1) evaluate compliance with DOD standards and requirements; and (2) ensure that promised corrective actions have occurred.

Status: Action in process. Estimated completion date: 12/86. DOD is taking action to implement this recommendation.

OIG should consider analyzing the information contained in the Hotline computerized data base. Analysis could focus attention on particular problems warranting review and may identify apparent chronic delays in completing investigations, repeated requests that work be redone, and inconsistencies between the services' handling of Hotline allegations.

Status: Action in process. Estimated completion date: 12/86. DOD is taking action to implement this recommendation.

Defense-Related Activities

Management Review: Progress and Challenges at the Defense Logistics Agency

NSIAD-86-64, 04/07/86

Background

GAO reviewed the Defense Logistics Agency's (DLA) management functions in order to: (1) examine its mission, resources, organization, policies, and management objectives, and the various mechanisms it uses to direct, control, and evaluate its operations; (2) identify problems DLA experienced in carrying out some of its major activities; (3) determine how DLA responded to these challenges; and (4) recommend measures to strengthen its management processes.

Findings

DLA manages over two million supply items, procures supplies costing billions of dollars every year, maintains an inventory valued at over \$10 billion, administers over \$186 billion in government contracts, and manages many weapon system spare parts. GAO found that: (1) because of the scope and size of its activities, DLA depends on automation for financial and other management systems; (2) many automated DLA systems, such as supply support, contract administration, and financial management, which depend on upgraded information systems, need modernization; (3) control weaknesses and accounting data reporting errors cause inaccuracies in supply center records and contract administration; and (4) DLA does not have an effective plan for acquiring and managing information resources but has initiated organizational and managerial changes to improve planning for and cost control over automated systems. GAO also found that: (1) productivity measurement standards cover the majority of DLA personnel; (2) the productivity program has top management

support, quantitative goals for improvement, and active employee involvement; and (3) the DLA 4-year productivity growth rate is slightly higher than the trend necessary to achieve the presidential goal for improvement for 1992. The Department of Defense (DOD) and the military services feel that the Weapon System Support Program is effective; however, DLA needs more data from the military services on system and item priorities to ensure that the program is conducted economically and effectively.

Open Recommendations to Agencies

The Secretary of Defense should review the progress DLA is making in preparing mobilization plans to ensure that timely and appropriate requirements data are made available to DLA by the military services and that DLA develops necessary plans to effectively transition to supporting wartime missions.

Status: Action in process. DLA is developing work load factors based on revised Army requirements and testing of DLA plans.

The Director, DLA, should improve the process and underlying assumptions used in preparing the operations and stock fund budgets by using systematic and comprehensive data on DLA work force characteristics and continuing initiatives to obtain weapon systems spare parts data from the military services.

Status: Action in process. Management efforts are underway to

determine appropriate levels of supply and budgets for spare parts.

The Secretary of Defense should review the status and progress of the DLA Weapon System Support Program to ensure that the growth in the systems covered is justified, the Program is accomplishing its intended purpose of concentrating resources on the highest priority systems and items, and the cost of the higher levels of supply support is appropriate to the availability of the systems supported.

Status: Action in process. DOD will review the program in conjunction with a DLA implementation plan for the new DOD weapon systems management concept.

The Secretary of Defense should ensure that the military services provide complete information to DLA which would enhance management of weapon systems support.

Status: Action in process. The military services are in the process of providing DLA with data to enhance weapon system support management.

The Director, DLA, should continue to emphasize both product and process quality by applying some of the same approaches used in measuring, evaluating, and improving efficiency towards developing objective measures of quality for the major mission areas of procurement and contract administration, setting goals, and ensuring that managers are held accountable.

Status: Action in process. Actions underway include efficiency reviews,

use of the performance standards process, and increased automation and procedures for the audit of data collection.

The Secretary of Defense should pursue a greater standardization of contract data by mandating the full implementation of the Military Standard Contract Administration Procedures, or an equivalent abstracting system, and establishing a working group to explore ways to achieve greater uniformity of contract forms.

Status: Action in process. Greater standardization of contract data is being achieved through the Logistics System Modernization Program.

The Director, DLA, should place greater emphasis on the quality of the accounting data produced by the Defense Contract Administration Services regions by directing them to perform the negative unliquidated obligations (ULO) balance reviews and conduct tests of the adequacy of controls over payments.

Status: Action in process. DLA has issued instructions requiring negative ULO balance reviews on a continuing basis. Field activities are beginning to review ULO balances.

The Director, DLA, should continue to emphasize the need to control overaged ULO balances, identify the underlying problems that lead to the build-up of the large balances, and establish specific goals for acceptable ULO levels for the fuels commodity.

Status: Action in process. DLA established a joint task group to find ways to reduce overaged accounts payable. It is also increasing efforts to terminate or debar poor performing contractors. The GAO Accounting and Financial Management Division is evaluating this issue.

The Secretary of Defense should direct DLA and the military services to work together to develop the capability to make timely and effective reviews of inactive item candidates.

Status: Action in process. DOD sent a memorandum to the services and defense agencies directing greater attention to the review and elimination of inactive items.

The Director, DLA, should establish agency goals, such as expected cost savings or proportion, of recommendations accepted under the Parts Control Program and have these results included as a part of his periodic reviews.

Status: Action in process. DLA established a goal of 90 percent as the acceptance rate for parts control program recommendations. DLA has recommended substitute items for 95 percent of contractor proposal nonstandard items, but it is only receiving feedback on recommendation acceptance 27 percent of the time.

The Director, DLA, should complete a comprehensive computer capacity and performance evaluation program.

Status: Action in process. The computer capacity management program has been institutionalized. The framework for the program is substantially in place, but many details must be worked out.

The Director, DLA, should increase the coverage of the planned automated data system for compiling audit findings to include findings from other review and evaluation groups in DLA and issue needed procedures to help ensure that actions on audit recommendations are verified.

Status: Action in process. DLA established a new policy requiring verification that audit recommendations are implemented.

Defense-Related Activities

Stars and Stripes: Appropriated-Fund Support Should Be Reduced

NSIAD-86-104, 05/07/86

Background

Pursuant to a congressional request, GAO analyzed the missions, management, and operation of the Department of Defense's (DOD) European and Pacific "Stars and Stripes" newspapers to determine if consolidation could

alleviate the newspapers' financial difficulties.

Findings

DOD decided that the newspapers' financial problems could be resolved without consolidation by authorizing

the newspapers to sell advertising and use more appropriated funds. GAO found that: (1) in fiscal year 1984, advertising provided the newspapers with \$1 million in revenues; (2) commercial publishers have complained to the Joint Committee on Printing that the DOD advertising policy allows

the newspapers to compete with them unfairly; (3) since 1981, appropriated fund support for the newspapers has increased; and (4) the appropriated funds were used to pay expenses that would have been paid with nonappropriated funds, allowing for expansion and modernization of the newspapers' operations. GAO concluded that consolidation of the two newspapers into one business and financial entity would: (1) improve the financial condition of the combined newspaper; (2) allow effective allocation of resources; and (3) enable DOD to fulfill the newspapers' missions

more efficiently and cost-effectively. In the past, DOD objected to consolidation of the newspapers on the grounds that the newspapers would lose their local character and that the news would be less timely. However, DOD did agree that a study should be conducted to identify actions necessary to ensure the viability of the newspapers. GAO believes that: (1) the local character of the combined newspaper could be retained by designating a certain amount of space for local news; and (2) the loss in timeliness of the news may not be a significant problem because

timely news is available through other media.

Open Recommendations to Agencies

The Secretary of Defense should direct that the "Stars and Stripes" study begin as soon as possible, address consolidation and alternative ways to reduce appropriated-fund support, and be reported to him.

Status: Action in process. The DOD study to evaluate "Stars and Stripes" is underway with preliminary results expected on January 1987 and a final report during late 1987.

Defense-Related Activities

Analyses of Overseas Housing Costs Are Misleading to Decisionmakers

NSIAD-86-82, 06/13/86

Background

GAO evaluated Army, Navy, and Air Force economic analyses issued between December 1982 and January 1984 to identify the most cost-effective alternative for satisfying military family housing requirements in Europe.

Findings

GAO found that the quality of the economic analyses was poor because of the large variety of problems they contained, the high frequency of problem occurrence, and the effects of these problems on the analyses' major conclusions. GAO determined that: (1) even though the Navy study concluded that straight leasing was the least expensive alternative, lease with purchase was the least expensive alternative; (2) although the Army study concluded that using housing manufactured in the United States and erected in West Germany would cost more than leasing, U.S.-manufactured housing was less expensive than build-to-lease housing; and (3) either the rent was substantially less than the mortgage payment in the build-to-lease alternative or the lessor had to be able to build housing at a lower cost than the Air

Force estimated for the military construction alternative.

Open Recommendations to Agencies

The Secretary of Defense should require all future economic analyses involving the use of the present-value technique to discount only: (1) current dollar expenditures; and (2) with the average rate of interest on the Department of Treasury obligations which mature during the period of anticipated expenditures. GAO understands that the Office of Management and Budget (OMB) is currently revising Circular A-104 to require this type of discounting procedure. Until this revised guidance is effective, the Secretary of Defense should request a waiver from the current version of Circular A-104 to allow the department to immediately begin using this recommended discounting technique.

Status: Recommendation valid/action not intended. The Department of Defense (DOD) will not request a waiver from OMB Circular A-104, but it will implement the revised circular upon issuance.

The Secretary of Defense should issue additional guidance on conducting economic analyses of foreign housing that: (1) expands instructions for sensitivity tests; (2) requires full explanation of the special circumstances present when build-to-lease is found to be less expensive than military construction; (3) gives explicit directions on when and how to calculate political risk considerations in estimates of residual value; (4) requires the use of expected inflation and exchange rates which are representative of those accepted by professional economic forecasters unless there are convincing reasons for not using them; (5) requires that housing alternatives be evaluated for financial viability; (6) requires a good rationale with supporting data for assuming maintenance of utility expenses in build to lease significantly different from military construction of approximately the same square footage; and (7) gives explicit directions for estimating the rental and sale prices of land.

Status: Action in process. DOD will issue additional guidance upon issuance of revised OMB Circular A-104.

Defense-Related Activities

DOD Tempest Protection: Better Evaluations Needed To Determine Required Countermeasures

NSIAD-86-132, 06/27/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) and military services' adherence to national TEMPEST policy. TEMPEST refers to technical investigations and studies of compromising emanations from electronic data processing equipment. National security policy requires federal agencies to protect classified information from such emanations.

Findings

GAO found that: (1) TEMPEST countermeasures are very costly to implement; (2) while total DOD TEMPEST-related costs are unknown, they are estimated at hundreds of millions of dollars annually; (3) DOD has not issued an implementing regulation in connection with the national TEMPEST policy directive; (4) DOD has issued conflicting TEMPEST policy memoranda and, as a result, the services are interpreting and implementing TEMPEST policy in different ways; (5) the services sometimes acquire TEMPEST countermeasures without determining whether they are needed; (6) the services and defense contractors are sometimes

processing classified information without performing TEMPEST evaluations; (7) the services do not always conduct follow-up evaluations at contractor facilities to ensure that TEMPEST countermeasures are being implemented as needed; and (8) the Defense Investigative Service, which performs many TEMPEST evaluations for other DOD components, believes that its personnel are not adequately trained to perform TEMPEST evaluations or compliance inspections.

Open Recommendations to Agencies

To minimize delay in implementing national security policy, the Secretary of Defense should promptly implement a new security policy, on an interim basis if necessary, and ensure that the services promulgate implementing instructions to the field in a timely manner.

Status: Action not yet initiated. An interim response has been issued, and the final DOD response is expected toward the end of January 1987.

To minimize unnecessary TEMPEST-related expenditures, the Secretary of Defense should require all DOD components to conduct a TEMPEST evaluation before implementing TEMPEST countermeasures. Such evaluations are also needed to ensure proper protection of classified information.

Status: Action not yet initiated. An interim response has been issued, and the final DOD response is expected toward the end of January 1987.

To reduce varying requirements placed on industry and duplicative efforts on the part of the services, the Secretary of Defense should consider assigning to the Defense Investigative Service, or some other DOD component, the responsibility for ensuring that TEMPEST countermeasures are effectively implemented within industry. Implementation of this recommendation may require additional training for the designated component's staff.

Status: Action not yet initiated. An interim response has been issued, and the final DOD response is expected toward the end of January 1987.

Defense-Related Activities

Early Testing of Major ASW Weapons Can Be Enhanced by Increased Focus on Test Resources

NSIAD-86-174, 06/30/86

Background

GAO summarized its review of early testing of major antisubmarine warfare weapons, specifically the: (1) adequacy of Navy test resources to represent Soviet submarine capabilities and the ocean environment in which they operate; and (2) effectiveness in identifying and acquiring test resources during the development, test, and evaluation phases.

Findings

GAO found that: (1) the Navy's test resources fail to completely represent enemy submarine capabilities and ocean environments in which they operate; (2) the Navy's fixed test ranges provide only limited environmental diversity; (3) computer models used in simulation fail to effectively depict important environmental factors; (4) the Navy implemented efforts to improve test resources; and (5) the Navy does not have an effective process for identifying and acquiring test resources.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Navy to designate a sponsor for major antisubmarine warfare test resources such as targets, ranges, and generic simulation capabilities.

Status: Action not yet initiated. The Navy was tasked to prepare a plan of action with milestones on how the recommendations will be accommodated. The plan is due by January 31, 1987.

The Secretary of the Navy should direct the designated sponsor to ensure that Test and Evaluation Master Plans contain analyses of the effects that test resource limitations have on the usefulness and validity of test results.

Status: Action not yet initiated. The Navy was tasked to prepare a plan of action with milestones on how the recommendations will be accommodated. The plan is due on January 31, 1987.

The Secretary of the Navy should direct the designated sponsor to consolidate and prioritize test resource limitations to determine those having the greatest need for funding.

Status: Action not yet initiated. The Navy was tasked to prepare a plan of action with milestones on how the recommendations will be accommodated. The plan is due on January 31, 1987.

The Secretary of the Navy should direct the designated sponsor to ensure that all acquisition milestone presentations give sufficient consideration to test resource needs and the extent to which development, test, and evaluation performance requirements may not be fully demonstrated due to limitations in test resources.

Status: Action not yet initiated. The Navy was tasked to prepare a plan of action with milestones on how the recommendations will be accommodated. The plan is due on January 31, 1987.

Defense-Related Activities

Opportunities To Improve the Condition and Operation of Armories

HRD-86-49, 08/07/86

Background

In response to a congressional request, GAO reported on: (1) the Army National Guard's expanding federal role; (2) the adequacy of armories to accommodate the Guard's changing federal mission; (3) states' ability and willingness to pay their required 25-percent matching share for construction costs and 100 percent of maintenance and repair costs for state-owned armories; and (4) recent actions and proposals to increase the federal share of armory operating costs.

Findings

GAO found that: (1) since the Department of Defense initiated its total force policy in 1970, the Guard's national defense role has expanded, placing new demands on the Guard's

2,655 state-owned armories; (2) troop levels have increased by over 25,000; (3) the number of full-time federal personnel working in the armories has increased, as has the amount of equipment stored at them; and (4) 42 percent of the armories were inadequate, largely due to lack of sufficient training, office space, and equipment storage space. According to the state adjutants general: (1) many armories were in a poor state of repair, resulting in an estimated \$172-million backlog of maintenance and repair projects; (2) replacement or repair of armories is dependent on the availability of state funds; and (3) states have not committed the funds needed for construction, modification, maintenance, and repair because of fiscal problems, a relatively low priority placed on Guard facilities, and the expectation that armories would primarily carry out the federal mission.

Open Recommendations to Agencies

The Secretary of Defense should require the Chief of the National Guard to develop and implement a policy to consider each state's maintenance and repair record when reviewing the state's proposal for the construction of new armories.

Status: Action not yet initiated. Defense agrees with this recommendation and intends to implement it.

The Secretary of Defense should require the Chief of the National Guard to develop and implement procedures to annually monitor the backlog of maintenance and repair projects of armories similar to nonarmory facilities.

Status: Action not yet initiated. Defense agrees with this recommendation and intends to implement it.

Defense-Related Activities

Medical Readiness: The U.S. Army Can Improve Its Management of POMCUS Hospital Equipment in Europe

NSIAD-86-197, 09/09/86

Background

GAO reviewed the Army's management of Prepositioned Overseas Materiel Configured to Unit Sets (POMCUS) hospital equipment in Europe.

Findings

GAO found that: (1) the U.S. Army, Europe, and Seventh Army (USAREUR) may be requisitioning unnecessary equipment for 11 POMCUS hospitals that will continue to have minimal capabilities until they receive deployable medical systems (DEPMEDS); (2) USAREUR can-

not effectively manage its POMCUS medical equipment because of systematic weaknesses in the requisitioning procedures; (3) five USAREUR POMCUS general hospitals are capable of providing only limited medical support; and (4) USAREUR needs to more closely monitor the equipment status of its POMCUS hospitals.

Open Recommendations to Agencies

To ensure that U.S. Army Combat Equipment Group, Europe (CEGE) efforts to requisition equipment for pre-DEPMEDS POMCUS hospitals are properly coordinated with the Department of the Army's efforts to field DEPMEDS, the Commander-in-Chief, USAREUR, should direct the Commander, CEGE, to request that the appropriate National Inventory Control Points cancel all outstanding requisitions for the 11 hospitals that currently have little, if any, of their authorized medical equipment sets and will not receive any additional medical equipment sets prior to receiving DEPMEDS.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that CEGE efforts to requisition equipment for pre-DEPMEDS POMCUS hospitals are properly coordinated with the Department of the Army's efforts to field DEPMEDS, the Commander-in-Chief, USAREUR, should direct the Commander, CEGE, to not requisition any additional equipment for these 11 hospitals until the Department of the Army identifies which items of equipment are common to both DEPMEDS and pre-DEPMEDS hospitals.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

The Commander-in-Chief, USAREUR, should direct the Commander, 7th Medical Command (MEDCOM) to coordinate with the Department of the Army to determine which items: (1) are common to both the pre-DEPMEDS and DEPMEDS hospitals; and (2) will not be included in the DEPMEDS fielding package.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

The Commander-in-Chief, USAREUR, should improve the requisitioning procedures and coordination among CEGE, the U.S. Army Medical Materiel Center, Europe (USAMMCE), and the U.S. Army Medical Materiel Agency (USAMMA) to ensure that CEGE receives timely and continuous information on the status of outstanding requisitions for POMCUS medical equipment.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to verify the current equipment status of these hospitals.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to determine the status of USAMMA efforts to fill medical equipment shortages in these hospitals and take appropriate actions to ensure that all authorized medical equipment items are either on hand or being procured.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR,

should direct the Commander, 7th MEDCOM, to expedite efforts to acquire and develop warm-based sites.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to coordinate with other appropriate Army organizations to ensure that nonmedical equipment and personnel requirements are identified and that a Table of Organization and Equipment is developed.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to identify and redistribute any excess items.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to determine whether any of the equipment that is not authorized for prepositioning is essential to support these hospitals' missions and, if it is, take appropriate action to ensure that the equipment is added to the list of authorized equipment.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to defer the replacement of potency and dated items until most of the equipment shortages are filled and the hospitals are warm-based.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to determine what nonmedical equipment is available at the warm-based sites or through host nation support.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

The Commander-in-Chief, USAREUR, should direct the Commander, CECE, to request cancellation of all equipment requisitions for these five general hospitals and defer submitting any additional requisitions until: (1) the hospitals' equipment status and equipment requirements have been determined; and (2) 7th MEDCOM has determined what nonmedical equipment is avail-

able at the warm-based sites and/or through host nation support.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

In view of ongoing efforts to enhance the readiness of the five general hospitals, the Commander-in-Chief, USAREUR, should advise the Department of the Army that it is not necessary to replace these equipment sets with DEPMEDS equipment.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that USAREUR can effectively manage its POMCUS hospital equipment and properly prepare for its wartime medical mission, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to verify the medical equipment status of all POMCUS hospitals and provide the results to CECE.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that USAREUR can effectively manage its POMCUS hospital equipment and properly prepare for its wartime medical mission, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to validate POMCUS hospitals' outstanding medical equipment

requisitions and provide the results to CECE and USAMMA.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that USAREUR can effectively manage its POMCUS hospital equipment and properly prepare for its wartime medical mission, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to coordinate the development and installation of a medical equipment set management information system for USAMMCE.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

To ensure that USAREUR can effectively manage its POMCUS hospital equipment and properly prepare for its wartime medical mission, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to establish reporting requirements for USAMMCE that will ensure greater visibility over the equipment status of POMCUS hospitals' medical equipment and that will allow management to: (1) identify equipment problems that have a critical impact on readiness; and (2) take timely and appropriate action to correct these problems.

Status: Action not yet initiated. GAO is awaiting the Army's response to the report.

Department of Defense - Military (Except Procurement and Contracting) Potential Reductions in Aircraft Operation and Maintenance Costs by Using Thrust Computing Support Equipment

PLRD-82-4, 10/27/81

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) efforts to save fuel and reduce maintenance costs on turbine jet engines through thrust and power management and studied the feasibility of using certain equipment, which has the capability of measuring the thrust of engines while installed in aircraft.

Findings

The analyses showed that the accurate measurement and setting of thrust for installed jet engines is of vital importance, not only for aircraft readiness and safety, but also for operation and maintenance cost reductions. Although test results indicate that a system is available that can perform such measurements, the services have not been using it. The Air Force conducted extensive tests of the thrust computing support equipment that will measure thrust for installed J85-5 engines. Although the Air Force decided to implement the thrust computing system for its J85-5 engines, the system may not be implemented due to

a lack of funding. If funds are not made available soon, the system may never be implemented. If this occurs, the Air Force will lose millions of dollars already invested in the program in addition to millions in projected savings. Furthermore, failure to implement the system may reduce aircraft readiness. The Navy has not performed any tests to determine whether its aircraft jet engines might benefit from such a system. According to the contractor, the system can offer similar significant benefits for Navy aircraft engines.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to ensure that adequate plans are prepared to monitor implementation of the thrust computing support equipment for the J85-5 engines at Laughlin Air Force Base and to verify and evaluate the benefits of the system.

Status: Action in process. Estimated completion date: 01/87. Action to imple-

ment this recommendation is still in process. The equipment is being tested at Laughlin AFB. After testing is completed and use of the equipment becomes standard practice, the Air Force will collect data to determine cost benefits. DOD should have a clearer view on final implementation of this recommendation in January 1987.

The Secretary of Defense should direct the Secretary of the Air Force to develop a plan to ensure that the system will be timely implemented on the J79 engines if the system functions as well as expected on the J85-5 engines.

Status: Action in process. Estimated completion date: 01/87. Action to implement this recommendation is still in process. Implementation of this recommendation depends on the results of the J85-5 engines at Laughlin AFB. DOD should have a clearer idea of whether this recommendation will be implemented in January 1987.

Department of Defense - Military (Except Procurement and Contracting) Requirements and Production Capabilities Are Uncertain for Some Air Force, Navy, and Marine Corps Aircraft Spares and Repair Parts

PLRD-82-77, 07/22/82

Background

Pursuant to a congressional request, GAO reviewed the processes used by the Air Force, Navy, and Marine Corps to develop their fiscal year (FY)

1982 budgets for aircraft spares and repair parts, the subsequent procurement plans for these items, and the adequacy of management information systems to address the problems associated with these items.

Findings

Many of the problems previously reported by GAO still exist. The Air Force and Navy procurement plans for aircraft spares and repair parts includ-

ed in the FY 1982 budget have changed because the requirements on which they were based have fluctuated. To more realistically determine war reserve requirements for aircraft spares and repair parts, the Air Force is developing a computer model, the wartime and assessment requirements simulation (WARS). The Air Force has revised its procurement plans on the basis of the interim model, and original cost requirements for eight C-5A items GAO reviewed were reduced. A number of deficiencies recently identified in Air Force and Navy programs for managing problem items occurred because the programs were using inaccurate data which did not always include all problem items. The remedial actions taken were frequently ineffective in addressing production-related causes. Delinquent deliveries of aircraft spares and repair parts have increased and

have become a significant problem affecting the operational readiness of Air Force aircraft. Delinquent deliveries may also be a significant problem for the Navy; however, the Navy does not track and analyze delinquent contracts, and data required to do so have not been obtained or updated. Both the Air Force and the Navy have some remedial actions planned to deal with the delinquency problem. GAO believes that, until the underlying systemic shortcomings in the requirements determination processes are corrected, the total annual budgets for aircraft will remain questionable.

Open Recommendations to Agencies

The Secretary of Defense should require the Secretary of the Air Force to make

limited tests of the feasibility of generically coding aircraft items, based on the material trends identified in the Joint Aeronautical Material Activity Reports, to identify the causes of lengthening leadtimes. Based on the test results, if it is determined that shortages of certain critical materials, components, or manufacturing processes are the causes of lengthening leadtimes, the Secretary of Defense should pursue alternatives for resolving problems.

Status: Action in process. Estimated completion date: 12/87. The Air Force will use the results of its study on generic coding to develop a data management system by the end of December 1987.

Department of Defense - Military (Except Procurement and Contracting) Improving the Air Force Modification Process Will Benefit Management of Spare Parts in the Air Force and Defense Logistics Agency

PLRD-83-3, 10/15/82

Background

Air Force class IV and V modification programs are performed to correct deficiencies and improve capabilities of existing weapons systems and equipment. GAO reviewed the Air Force's modification coordination process to determine how effectively items affected by modification programs were managed.

Findings

GAO found that item managers are not routinely advised of modification programs that reduce or eliminate demand for their items. As a result, managers are spending millions of dollars purchasing and repairing unneeded items. In addition, Air Force managers are not effectively controlling critical items that could cause hazardous conditions if reinstalled on modified equipment.

One of the principal reasons for the Air Force's longstanding problem in coordinating modification programs is the fragmented method by which the Air Force Logistics Command (AFLC) manages them. A number of different command groups have responsibility for issuing policy on modification coordination, but no single group is responsible for ensuring that policies are consistent, complete, and implemented. This practice has brought AFLC substantial criticism and has prevented AFLC-wide corrective actions. GAO also found that, in addition to affecting Air-Force-managed items, Air Force modification programs frequently involve removing and replacing items managed by the Defense Logistics Agency (DLA). However, Air Force policies do not require that DLA be notified and Air Force personnel are not doing so. GAO believes that the key to achieving a workable modification

coordination process in the Air Force is increased emphasis at a sufficiently high level to ensure its success.

Open Recommendations to Agencies

The Secretary of Defense should emphasize the need for coordinating modification programs. The military services should be specifically required to routinely and systematically coordinate modification programs with DLA.

Status: Action in process. Estimated completion date: 01/87. By May 2, 1983, the services had implemented procedures and begun to coordinate modification data. Subsequently, a DLA-chaired study group found that coordination could not be effec-

tive within the framework of existing Department of Defense (DOD) logistics systems. DOD is studying alternative means to implement this recommendation effectively.

The Secretary of Defense should require the Director, DLA, to: (1) establish

internal procedures for coordinating modification data with DLA item managers; and (2) ensure that those procedures provide item managers with information concerning application of items they manage.

Status: Action in process. The first DOD attempt to implement this recommendation was unsuccessful. DOD is continuing its efforts.

Department of Defense - Military (Except Procurement and Contracting)

Management Control of the Department of Defense Overseas Dependents Schools Needs To Be Strengthened

HRD-83-3, 11/04/82

Background

GAO reported on the need for strengthening management control of the Department of Defense Dependents Schools (DODDS) overseas.

Findings

GAO found that the financial management system of DODDS does not give managers the timely and accurate information necessary to plan for and control use of the school system's resources. DODDS has no accounting system; at present, accounting services are provided by four organizations. In addition, the school system has no adequate system of internal management controls to ensure, among other things, that receipts are properly accounted for and that goods and services paid for are received. Finally, GAO found that DODDS does not have authority to disburse funds. These conditions deprive management of information needed to ensure that the allotment of funds from the Department of Defense (DOD) is not overexpended.

Open Recommendations to Agencies

The Secretary of Defense should: (1) develop accounting and internal management control systems in DODDS as required by the Budget and Accounting Procedures Act of 1950; (2) develop a uniform financial coding system applicable to DODDS activities worldwide; and (3) establish a streamlined procedure for recording disbursements of DODDS funds in the school system's accounting records.

Status: Action in process. Actions responding to the GAO report were impacted by a recent internal DOD study on the organization and staffing of DODDS. DOD is in the process of preparing revised data on the status of actions.

The Secretary of Defense should direct the Director of DODDS to: (1) return

to the reimbursable concept in obtaining logistics support services; (2) revise DOD Manual 1342.6-M-1 to require monthly billing with prompt follow-up for recurring logistics support services; (3) ensure that all Support Agreements are brought current and maintained in that status and that they contain specific details relating to the nature and cost of the support services to be provided; and (4) develop and implement a financial management training program for school principals so that they can fulfill their responsibilities in monitoring and controlling logistics support costs.

Status: Action in process. Actions responding to the GAO report were impacted by a recent internal DOD study on the organization and staffing of DODDS. DOD is in the process of preparing revised data on the status of actions.

Department of Defense - Military (Except Procurement and Contracting)
Continued Improvements Needed in Air Force Procedures and Practices

PLRD-83-36, 02/07/83

Background

GAO completed a follow-up review of the effectiveness of actions taken by the Air Force to improve its procedures and practices for identifying and cancelling excess on-order stocks of system support stock fund items.

Findings

In response to an earlier GAO report, the Air Force made a policy change which increased the potential for cancelling excess on-order stocks by \$39 million or more. A follow-up review showed that the Air Force can further correct identified weaknesses and increase its potential for cancellation of such stocks by \$58 million or more. In computing requirements and termination levels for on-order stocks, the Air Force is still using excessive buffers of stock above item requirements. This practice precludes timely identification and cancellation of on-order stocks which exceed requirements. In addition,

GAO found that the Air Force still does not have an effective system to monitor the performance of air logistics centers in cancelling excess on-order stocks. The Air Force could further increase its dollar potential for cancelling excess on-order stocks by excluding unfunded war reserve requirements from computation of termination levels for on-order stocks. Improvements in Air Force procedures and practices for maximum reduction of on-order stock excesses are especially appropriate now because of current and anticipated shortfalls in the Air Force's fiscal year 1982 and 1983 stock fund obligational authority.

Open Recommendations to Agencies

The Secretary of the Air Force should direct the Commander, AFLC, to revise its on-order stock termination policy and D062 requirement computation system for system support stock fund items

to provide for: (1) a 3-month reduction in the on-order stock termination level buffer for items with annual dollar demands of more than \$500; (2) elimination of the 12-month stock buffer used to compute termination levels for items with annual dollar demands of \$500 or less; and (3) elimination of the use of unfunded war reserve requirements in computing on-order termination levels for all items.

Status: Action in process. Estimated completion date: 12/86. The Air Force concurred with this recommendation. Action was completed in September 1984 to eliminate use of unfunded war reserve requirements in computing termination levels. Action on buffer stocks was not taken because DOD determined that it should raise the issue DOD-wide. The Inspector General is studying the services' and DLA termination practices to recommend a standard policy.

Department of Defense - Military (Except Procurement and Contracting)
More Effective Use of Contract Airlift Could Reduce DOD Transportation Costs

PLRD-83-55, 04/22/83

Background

GAO reported on the Department of Defense's (DOD) use of aircraft under contract from commercial air carriers.

Findings

GAO found that DOD is losing millions of dollars annually because of

empty seats on aircraft under contract from commercial carriers. The Military Airlift Command (MAC) spent \$228 million in fiscal year (FY) 1981 and about \$250 million in FY 1982 to airlift military and civilian personnel on contracted international flights. GAO found that a significant number of empty seats

existed on these flights. There are two major reasons for these empty seats: (1) passengers did not show up for flights as scheduled; and (2) the services apparently did not generate the volume of passengers anticipated at the time their requirements were submitted to MAC. In FY 1981, the no-show rate

was 13.5 percent. In FY 1982, the no-show rate climbed to 14.7 percent. GAO estimated that empty seats caused by no-shows cost \$13.5 million annually. This estimate of savings was reduced to give consideration to overbookings and passengers who walk in and actually use seats that were intended for use by no-shows. In addition, GAO estimated that underutilization of seating capacity for reasons other than no-shows cost DOD another \$13 million annually. At present, if authorizing orders are issued, military personnel have the option of buying tickets with their own funds, with subsequent reimbursement

not to exceed the MAC tariff rate, which leaves empty seats on MAC flights.

Open Recommendations to Agencies

DOD should revise DOD Directive 4500.9 to require that the military services use MAC airlift, where appropriate, and that order-issuing authorities be given guidance in revised travel regulations as to specific conditions under which authorized orders can be issued. In addition, DOD should consider revising the Joint Travel Regulation (JTR)

provision governing civilian travelers to require them, like their military counterparts, to use MAC-provided airlift.

Status: Action in process. Estimated completion date: 12/86. OSD is pursuing a reduction of the MAC rate. It will evaluate the impact of this action and reflect the outcome in a revision to DOD Directive 4500.9. OSD also directed that the civilian provisions of JTR be brought into line with the military. The change has not yet been made.

Department of Defense - Military (Except Procurement and Contracting)

The Defense Budget: A Look at Budgetary Resources, Accomplishments, and Problems

PLRD-83-62, 04/27/83

Background

GAO reviewed the Department of Defense's (DOD) budget to determine how it is planned and how resources are expended.

Findings

GAO found that the growth of the defense budget continues at an unprecedented pace. The amount of money appropriated for fiscal year 1983 is 69

percent larger than the 1980 defense budget. GAO believes that the services are generally spending as they planned, but that the budget can be improved by building in more accountability. GAO also found that some problems identified last year remain unresolved.

Open Recommendations to Congress

After a program to link increased funding and program performance has been

developed, Congress should consider requiring the Office of Management and Budget to submit a special analysis of the DOD requirement using the linking indicators as a basis for the analysis.

Status: Action not yet initiated.

 Department of Defense - Military (Except Procurement and Contracting)

Federal Actions Needed To Retain Essential Defense Rail Service

PLRD-83-73, 05/20/83

Background

GAO examined the Department of Defense's (DOD) and the Department of Transportation's (DOT) efforts to: (1) maintain minimum levels of rail service at defense installations; and (2) identify and correct rail deficiencies.

Findings

Despite the conclusions of a DOD study which determined that the condition of network and branch rail lines was satisfactory for national defense, GAO found that the number of military installations confronted with the potential loss of rail service is growing and that there may be a need for congressional action to ensure that minimum essential rail service is retained for mobilization needs. Although DOD is spending millions of dollars to improve rail capabilities at its installations, DOD cannot be assured that the rail net-

work will move the required defense materiel and equipment during mobilization. GAO believes that the case-by-case basis by which DOD presently solves its maintenance service problems on branch lines could prove costly and ineffective in the long run. GAO also believes that DOD must determine the minimum amount of rail capability needed and routinely explore the alternatives and their costs with DOT. GAO found that: (1) the data on transportation movement capability reported by installations contained conflicting information; (2) some planned projects, if funded, would result in capabilities beyond what the services estimate would be needed during mobilization; and (3) a DOD concept of using motor convoys as a method of moving equipment has not been subject to extensive analysis and testing. Consequently, its feasibility and practicality for long distance transportation during mobilization are uncertain.

Open Recommendations to Agencies

The Secretary of Defense should: (1) modify DOD reporting requirements to ensure that defense installations accurately report their outloading and receiving capabilities to meet peacetime and mobilization movement needs and identify the key constraining factors; (2) establish procedures to ensure rail maintenance projects are appropriately justified and cost-effective; and (3) reevaluate the feasibility and practicality of DOD movement criteria to include road marching vehicles for distances up to 800 miles.

Status: Action in process. Estimated completion date: 01/87. Parts one and three of the recommendation are completed and verified. Work on part two is still underway at the Construction Engineering Research Laboratory, Champaign, IL. The estimated completion date is January 1987.

 Department of Defense - Military (Except Procurement and Contracting)

Poor Design and Management Hamper Army's Basic Skills Education Program

FPCD-83-19, 06/20/83

Background

GAO reviewed the Army's basic skills education program to evaluate whether the program: (1) was properly designed to determine the basic skills needed to do Army jobs; and (2) is being effectively implemented at initial entry

training bases and permanent duty stations.

Findings

GAO found that, after 4 years and \$160 million in expenditures, a small percentage of soldiers has achieved the Army's prescribed goals. GAO found

examples of program abuse, including ineligible soldiers participating in the program obtaining high school equivalency certificates during on-duty hours. When it designed the program, the Army did not identify the basic skills required for each military job. Implementation problems also have hampered the program. Course

hours, duration, and costs differ widely. The Army also has not evaluated the overall effectiveness of its program. Army regulations assign evaluation responsibilities to the Army Adjutant General's Office and direct installation commanders to keep data on program quality and effectiveness. In the fall of 1979, the Army established an evaluation and services division in its Education Directorate to monitor and evaluate the basic skills education

program. Studies show that short-term remedial programs do not provide the competency needed to master highly technical material in many Army jobs and that substantial resources would be required to bridge the literacy gap.

Open Recommendations to Agencies

The Secretary of the Army should establish a monitoring system to track, measure, and report program effectiveness.

Status: Action in process. Estimated completion date: 02/87. The Army Research Institute is developing a monitoring system, a data collection and analysis system, and other evaluation criteria that clearly relate to program effectiveness.

Department of Defense - Military (Except Procurement and Contracting)

The Air Force Equipment Management System Still Does Not Assure Control of Nonexpendable Equipment

NSIAD-83-20, 07/28/83

Background

GAO reviewed how the Air Force Equipment Management System (AFEMS) accounts for nonexpendable equipment valued at over \$15 billion.

Findings

Substantial amounts of proposed equipment purchases in the Air Force budget depend on AFEMS accuracy. To determine net requirements for its budget, the Air Force identifies gross requirements and subtracts equipment on hand. However, problems in accounting for that equipment hinder the Air Force's ability to accurately compute quantities of equipment to include in its budget. GAO concluded that, although the Air Force modernized AFEMS and tried to establish inventory baseline data for all assets, system weaknesses still limit assurances that requirements are based on accurate and complete information. Based on its review, GAO suggested that the Air Force may need to reconcile data and establish baselines for one equipment category at a time.

Open Recommendations to Agencies

The Secretary of the Air Force should bring to bear the necessary management attention and resources to reestablish control over Air Force equipment on hand to help ensure accurate computation of future equipment requirements.

Status: Action in process. The Air Force conducted a study to validate the systems that provide data to the requirements computation system. The study identified 34 problems. Eight problems were resolved; 20 should be solved by May 1987; and 8 require further work. The final resolution date is not known.

The Secretary of the Air Force should direct the Air Force Logistics Command (AFLC) to establish system controls to reconcile equipment inventories from one period to the next and to report variances.

Status: Action in process. Estimated completion date: 01/89. The Air Force

concurrred with this recommendation and initiated several efforts to identify specific actions needed to establish system controls. Final implementation of corrective action is expected by December 31, 1988.

The Secretary of the Air Force should direct AFLC to validate field-reported data through use of control files.

Status: Action in process. Estimated completion date: 04/87. The Air Force concurrred with this recommendation and initiated several efforts to identify specific actions needed to validate field reported data. Final implementation of corrective action is not expected before May 15, 1987.

The Secretary of the Air Force should direct AFLC to provide guidance and procedures to item managers for accounting for equipment under the new automated system. As a minimum, the guidance should: (1) identify the documents needed for manual reconciliations; (2) define acceptance levels of

accuracy; and (3) prescribe how variances should be corrected.

Status: Action in process. Estimated completion date: 12/87. The Air Force concurred with this recommendation and initiated various efforts to identify specific actions necessary to satisfy this recommendation. Full implementation is not expected before December 1987.

The Secretary of the Air Force should direct AFLC and the major commands to improve the accuracy of data reported to AFEMS by analyzing and correcting variances in specific problem areas, such as intransit equipment, onboard aircraft equipment, condemned equipment, and equipment procured outside of AFLC.

Status: Action in process. Estimated completion date: 10/90. The Air Force concurred with this recommendation and initiated various efforts to address it. Full implementation is not expected before fiscal year 1991.

Department of Defense - Military (Except Procurement and Contracting) How Well Do the Military Services Perform Jointly in Combat? DOD Joint Test-and-Evaluation Program Provides Few Credible Answers

PEMD-84-3, 02/22/84

Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) joint test-and-evaluation (JT&E) program, which was established in 1971, to determine how well the military services can perform their missions and roles in joint operations under combat conditions.

Findings

GAO found that the office responsible for the joint testing and evaluation of DOD weapon systems has been dependent on organizations with vested interests in JT&E results. Joint tests have been managed, carried out, and partially funded by the individual services, which have vested interests in the results. It is not yet clear how new legislation will affect the organization of the program or alter JT&E dependence on the services for resources and capabilities. Most of the JT&E's that have been completed were requested by organizations within the Office of the Secretary of Defense (OSD) while

the Joint Chiefs of Staff and the services have been infrequent requesters of joint tests. In the three JT&E's which GAO analyzed in depth, it found that: (1) factors important to judging operational effectiveness were omitted; (2) the validity of the test data could seriously be questioned; (3) the data were often not qualified with respect to the tests constraints; (4) conclusions and recommendations were not always supported by test results; (5) the reports did not always address the concerns of the requesters; and (6) the requesters made little use of the tests. GAO believed that the reasons for the flaws of the joint tests could lie in the organizational structure of the program including: (1) its organizational placement; (2) its limited staff size; (3) failure to choose staff members for their testing expertise; (4) its limited budget; (5) its dependence on the services for resources; and (6) the absence of a strategic plan that sets priorities.

Open Recommendations to Agencies

The Secretary of Defense should, if he determines that DOD needs the JT&E

program, take the further steps that are necessary to: (1) ensure that priorities are established for conducting JT&E programs; (2) endow the JT&E program with enough independence, permanence of expert staff, and control of resources to allow the program to conduct and report on joint tests and evaluations that are high in quality and provide relevant information to their requesters and other users; and (3) require the JT&E program director to develop routine procedures that will ensure that thorough records of test data, test results, and their use are maintained.

Status: Action in process. DOD concurred with this recommendation and is implementing it. The JT&E manual is being updated, and DOD is examining the approach used by GAO to analyze the results of tests for inclusion of applicable elements in the manual.

Department of Defense - Military (Except Procurement and Contracting)

Problems in Alerting and Preparing Army Reservists for Mobilization

NSIAD-84-52, 02/27/84

Background

GAO conducted a review to determine whether the notification system which the Army uses to notify its reservists of mobilization is adequate and whether reservists are provided information to help put their personal affairs in order before reporting for duty.

Findings

GAO found that, because of deficiencies in the Army's alert rosters, approximately 22 percent of Army Guard and Reserve personnel with early mobilization schedules may not be notified and assembled promptly. Units that are experiencing personnel shortages will be even more seriously hampered in accomplishing their mission if some

members do not report for duty on time. Unit training and management could be affected because some who may not be contacted are noncommissioned officers. About 7 percent of the noncommissioned officers at the units GAO visited may not be contacted due to alert roster inaccuracies. In addition, GAO found that Army Guard and Reserve units were not using annual tests of their alert procedures to verify their alert rosters, and some units did not conduct their annual tests in accordance with established Army regulations. Finally, GAO found that many reservists had not received required annual briefings and other written materials concerning personal readiness forms. Moreover, the Army did not follow up to ensure that personal readiness information was provided to members who had not received it.

Open Recommendations to Agencies

The Secretary of the Army should require periodic feedback from command reviews on how well units are helping reservists get their personal affairs in order.

Status: Action in process. FORSCOM Mobilization and Development Planning Systems delineated a new headquarters policy on June 28, 1986. This policy provides additional instructions on maintaining accurate alert rosters. Feedback on how the policy is implemented will occur through command, staff, and Inspector General visits and inspections.

Department of Defense - Military (Except Procurement and Contracting)

Ensuring Retention of Essential Civilians Overseas During Hostilities

NSIAD-84-73, 03/14/84

Background

GAO conducted a study to determine: (1) whether the military services were reasonably sure that contractor and Department of Defense (DOD) civilian support personnel would be available when needed overseas in the event of an outbreak of war; and (2) what actions might be taken to ensure continuity of essential functions during mobilization and conflict.

Findings

Recent studies have estimated that as many as 6,000 overseas U.S. civilian and contractor personnel are essential to maintain weapons systems and military equipment. There is reason for concern that some essential employees would choose not to stay at their jobs if they thought that conditions were excessively dangerous. Within the projected group of essential civilians, there is a smaller subset of critically needed civilians whose loss could be debilitat-

ing. DOD officials have suggested several alternatives to address the situation, including: (1) requiring civilians to remain at their posts under penalty of criminal sanctions; (2) expanding jurisdiction under the Uniform Code of Military Justice to cover civilians in situations not involving a declaration of war; (3) requiring military reserve status for civilians in essential positions; (4) requiring agreement to accept officer status upon mobilization; (5) requiring written agreements from civilians performing essential functions;

and (6) requiring contract provisions aimed at ensuring retention of essential contractor personnel. However, progress in defining the extent and significance of the problem and in improving the situation has been slow. DOD has recently issued draft policy guidance intended to ensure retention of essential civilians which calls for the use of written agreements and contract provisions for danger pay and evacuation of dependents. However, there has been some doubt about the effectiveness of such an approach because only administrative sanctions could be imposed on violators.

Open Recommendations to Agencies

DOD should expand its current policy proposals to include more specific guidance on what constitutes an essential civilian.

Status: Action in process. DODD 1401.10, "Retention of Emergency Essential DOD Civilian Employees Overseas," revised May 31, 1985, should be implemented by the second quarter of fiscal year 1987. DODD 3025.XX (draft) entitled "Contribution of Emergency Essential DOD Contractor Service Overseas During Crisis Situations" is in the process of final staffing with expected publication in December 1986.

DOD should expand its current policy proposals to include the identification of the subset of very critical civilian positions.

Status: Action in process. Only five defense agencies have responded to the requirement. Four reported no EE civilians but DCA identified their EE civilians. On March 31, 1986, ASD(FM&P) sent to the services and deficient defense agencies a memoran-

dum reemphasizing the DODD 1401.10 quarterly reporting requirement and requesting a plan for complying with the requirement.

DOD should expand its current policy proposals to include the tailoring of policy alternatives, based on the essentiality of individual positions, to provide an acceptable level of assurance that both critical and essential civilians will remain at their posts, focusing first on those whose loss would have the most severe impact on combat missions.

Status: Action in process. The Army will forward proposed legislation which would permit a sliding scale of financial incentives. The draft legislation would provide greater financial incentives to EE civilians in danger areas. The draft legislative proposal was submitted to the Office of Management and Budget

Department of Defense - Military (Except Procurement and Contracting) Department of the Army's Program To Modify 155-mm. M109 Self-Propelled Howitzers to an M109A5 Configuration

NSIAD-84-60, 03/26/84

Background

GAO reviewed the Army's program for modifying some of its self-propelled howitzers, a program estimated to cost \$1.5 billion.

Findings

The Army has deferred approving the full-scale development of the improved howitzers because a cost and operational effectiveness analysis is still in progress, more definitive information on the number of howitzers that should be modified is needed, and the cost estimate needs to be updated. GAO believes that the Army exercised exemplary caution in withholding its approval considering the program uncertainties. The Army has consistently shown its

concern about the program's affordability when it rejected several costly alternative modification programs. GAO found that the Army has a program to procure new armored ammunition supply vehicles which would replenish the howitzer's supply of ammunition. The Army's current ammunition supply vehicle is unarmored and affords little protection to the crew or equipment. However, the Army plans to procure only enough armored ammunition supply vehicles to supply half of the howitzers which would be developed. The benefits resulting from improvements to the howitzers may be offset by the fact that the majority of the howitzers will continue to operate with an ammunition supply vehicle which lacks adequate protection. In addition,

GAO believes that more information is needed on the operational availability during wartime of the cannon and the effect of the proposed added weight on the howitzer's mobility.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Army, during full-scale development, to perform an analysis that would determine whether it is cost-effective to modify the number of M109 howitzers that will continue to operate alongside the vulnerable M548 ammunition supply vehicles.

Status: Action in process. DOD concurred and will include the analysis in the upcoming milestone III program decision. Test results will be available in the second quarter of fiscal year 1989

If it is not cost-effective to modify the number of howitzers that will continue to operate alongside the vulnerable ammunition supply vehicles, the Secretary of Defense should direct the Secretary of the Army, during full-scale development, to consider the option of modifying a lesser number of howitzers than the 1,500 now in the program and

apply the savings toward the procurement of additional, more survivable, M992 vehicles, if affordability considerations continue to limit the funds available for both programs.

Status: Action in process. DOD concurred and will consider alternative mixes of vehicles in the upcoming milestone III program decision. Test results will be available in the second quarter of fiscal year 1989.

If the decision is to continue into full-scale development, before contracting for modification of a large number of

howitzers, the Secretary of the Army should ensure that the tests in the next acquisition phase adequately demonstrate that the selected cannon replacement will achieve the Army's availability goal and that the added weight resulting from the modifications will not materially degrade the howitzer's mobility.

Status: Action in process. DOD concurred and plans to test availability and mobility during full-scale development.

Department of Defense - Military (Except Procurement and Contracting)

Confusion Over Validity and Effects of Purported Petty Officer Shortage

NSIAD-84-30, 06/27/84

Background

Pursuant to a congressional request, GAO reviewed the validity and effects of a purported shortage of petty officers in the Navy, focusing on: (1) the Navy's longstanding claim of a shortage; and (2) Navy plans to increase the number of petty officers.

Findings

GAO found that: (1) the Navy determined that a shortage of petty officers existed because it had more lower-grade enlisted personnel and fewer petty officers than it believed it needed; and (2) confusion was generated because the Navy failed to clearly define the

shortage before congressional hearings. In addition, GAO found that: (1) the Navy's determinations of its manpower needs are not derived from objective measures; (2) the purported shortage has no effect on combat readiness or mission capability; (3) plans to increase the number of petty officers would be costly; and (4) the benefits of such an increase are not known.

Open Recommendations to Agencies

The Secretary of the Navy should clearly identify the sources of all data used in calculations of enlisted personnel

needs, authorizations, and shortages in all presentations of manpower and personnel issues to Congress.

Status: Action in process. Estimated completion date: 03/87. The fiscal year (FY) 1988 budget presentations to Congress represent the first opportunity for the Navy to define key terms and data sources in accordance with the guidelines set forth in its new Manpower Policies Manual, OPNAVINST 1000.16F. GAO will review the Navy's FY 1988 manpower and personnel presentations to see if data sources are clearly identified.

Department of Defense - Military (Except Procurement and Contracting)

Better Use of Available Data Would Improve Mobilization Planning for Inductees

NSIAD-85-11, 10/22/84

Background

GAO discussed the accuracy of the current Department of Defense (DOD) request for inductees that the Selective Service System (SSS) would provide after full mobilization.

either validate or change the current inductee schedule. GAO concluded that, until a systematic analysis is performed of service needs, SSS may be expending resources preparing to deliver unneeded inductees while neglecting the planning required to meet actual DOD inductee needs.

Secretary of Defense prototype methodology for systematic analysis of staffing needs was developed for 80 percent of the Army's military occupational specialties. A determination will be made during the first quarter of FY 1987 of the applicability of this framework to the other services.

Findings

GAO found that, although the data exist, the system that DOD uses for making wartime manpower planning decisions collects insufficiently detailed data on each service's wartime needs and expected manning requirements to enable it to validate the accuracy of the current inductee request schedule. Further, although DOD has acknowledged that a systematic process for identifying needs is necessary, it has not made any systematic analysis to

Open Recommendations to Agencies

The Secretary of Defense should ensure that the requirements for inductees are based on a systematic analysis of the services' wartime needs and their ability to meet these needs with available personnel.

The Secretary of Defense should submit to SSS, as necessary, a revised schedule for inductees.

Status: Action in process. Estimated completion date: 12/86. A revised inductee schedule is anticipated to be available for SSS during the first quarter of FY 1987.

Status: Action in process. Estimated completion date: 12/86. An Office of the

Department of Defense - Military (Except Procurement and Contracting)

Planning for Navy Shore Facilities: Improvements Possible

NSIAD-85-6, 11/05/84

Background

GAO reviewed selected Navy activities' use of the Shore Facilities Planning System (SFPS) to determine whether the activities' use of the system resulted in accurate determinations of facility requirements and optimum use of existing facilities.

resulted in inaccurate facility requirements causing the construction of some unneeded, or excessively large, projects. The Navy criteria for sizing family services centers provide for centers which are larger than Department of Defense (DOD) criteria allow. As a result, at one facility, GAO found that the Navy was planning a family services center which was larger than DOD criteria allowed, and the Navy had not obtained the waivers necessary for construction in excess of DOD criteria. In addition, the Navy has no assurance

that the child care centers it plans to build will be properly sized to meet its needs because DOD and Navy criteria for sizing such centers are inadequate, and DOD plans to revise its criteria. GAO found that Navy criteria for aircraft parking aprons are inaccurate, resulting in a parking apron requirement at one activity which was overstated. GAO also found that outdated and inaccurate data in the industrial planning system resulted in a shipyard overstating its electronics shop space requirements. Finally, because of the

Findings

GAO found a number of instances where the use of the SFPS by activities

improper use of factors for converting net floor areas to gross floor areas, an engineering station overstated its space requirement for a proposed diesel engine test facility. GAO believes that current and accurate data are essential if the SFPS is to be a useful tool in the management of naval facilities.

Open Recommendations to Agencies

The Secretary of Defense should reevaluate DOD criteria for determining the size of family services centers in light of the Navy's plans to construct larger facilities. If DOD criteria are considered reasonable, then the Secretary should direct the Navy to adhere to the criteria or obtain necessary waivers; if not, revise the family services center criteria.

Status: Action in process. Estimated completion date: 02/87. The revised criteria for family service centers is being reviewed for approval by the

Joint Service Standing Committee for Buildings and Facilities.

The Secretary of the Navy should direct the Commander, Naval Sea Systems Command, to require activities using the industrial planning system to periodically update the SFPS with current industrial planning system data.

Status: Action in process. Estimated completion date: 02/87. The Naval Facilities Engineering Command (NAVFAC) is incorporating improvements to operating procedures in NAVFAC 11010.44D. NAVFAC Instruction 11010.44D will reemphasize the need for shipyards to maintain current industrial planning data in the system.

The Secretary of the Navy should direct the Commander, NAVFAC, to revise the criteria for sizing aircraft parking aprons to require activities to use the most efficient parking angle when computing requirements.

Status: Action in process. Estimated completion date: 02/87. Revised criteria for sizing aircraft parking aprons will be included in revised NAVFAC P-80. However, publication was delayed to include other revisions to criteria for supply warehouses and aircraft maintenance facilities.

The Secretary of the Navy should direct the Commander, NAVFAC, to improve the accuracy of the data in the SFPS by requiring engineering field divisions to review facility planning documents to ensure that information in the documents is based on current base loading or industrial system data.

Status: Action in process. Estimated completion date: 02/87. NAVFAC is incorporating improvements to operating procedures in NAVFAC Instruction 11010.44D which will reemphasize the current 6-year update cycle to the degree resources permit.

Department of Defense - Military (Except Procurement and Contracting)

Opportunities To Improve the DOD Personal Property Shipping Program

NSIAD-85-10, 11/09/84

Background

GAO reviewed the Department of Defense's (DOD) Personal Property Shipping Program to identify opportunities to reduce costs and improve the efficiency of the program.

Findings

GAO found that DOD has been consolidating its personal property shipping offices and has been planning to automate them. However, due to a lack of coordination, the full potential for consolidation cannot be achieved and money may be spent to automate offices that should be merged

with others. In addition, GAO found that, due to the delay in the development of a standardized automated system for use in managing its shipping program, many offices have become frustrated and have developed their own systems which are not compatible and cannot be merged with a standardized system. On November 8, 1983, a DOD memorandum was issued restricting the development of additional new systems. Finally, GAO found that the DOD cost of storing household goods awaiting delivery has increased substantially since 1978. These costs could be reduced significantly if DOD leased storage space and provided the

service in-house or used government-owned space where available, rather than having moving companies arrange space.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary for Defense, Manpower, Installations, and Logistics, to expedite development of a standard automated system for processing personal property shipments, while closely monitoring compliance with

the November 8, 1983, memorandum restricting independent development of shipments.

Status: Action in process. Estimated completion date: 12/87. The information system selection and acquisition activity was designated in May 1985 and a draft request for proposals for hardware was issued in December 1985. As a result of comments received from potential hardware vendors, the final

RFP is being modified and will be issued in December 1986. A contract award is expected by July 1987, with prototype testing scheduled for October 1987.

The Secretary of Defense should direct the Assistant Secretary of Defense, Manpower, Installations, and Logistics, to integrate plans to automate the

personal property shipping offices with plans to consolidate them.

Status: Action in process. Estimated completion date: 12/87. DOD is developing a refined shipping office consolidation plan. Each consolidation area will prepare a 5-year plan. Projected completion has slipped to December 1987.

Department of Defense - Military (Except Procurement and Contracting)

Navy Materiel in Suspended, Not Ready for Issue, Condition Needs More Management Attention

NSIAD-85-23, 11/19/84

Background

GAO reviewed the Navy's management of materiel in suspended, not-ready-for-issue status.

Findings

Materiel is assigned a suspended condition code when there is a question regarding its true condition and additional testing is required before it can be considered ready for use. The value of Navy materiel having a suspended status was reported to be about \$200 million. The policy of the Department of Defense (DOD) and the Navy emphasizes the importance of removing materiel from a suspension category in a timely manner; however, GAO found that this policy was not being followed. GAO believes that lengthy suspension times have adversely affected supply operations, because the materiel in a suspended status has not been considered in filling requisitions and making procurement decisions.

Open Recommendations to Agencies

To improve the management of suspended materiel, the Secretary of the

Navy should initiate a one-time special project to have inventory control points and stockpoints determine the true condition of suspended materiel, make issuable all materiel that is needed, and purge from the supply system all materiel that cannot economically be made issuable or is no longer needed.

Status: Action in process. Estimated completion date: 12/86. The recommended actions are completed, but the Inspector General (IG), DOD, will continue to monitor action on a quarterly basis.

To improve the management of suspended materiel, the Secretary of the Navy should: (1) modify the management information system used by the Naval Supply Systems Command inventory control points and stockpoints so that it will receive summary data on the amount, age, and reasons materiel is suspended; and (2) monitor this data to ensure compliance with DOD and Navy requirements.

Status: Action in process. Estimated completion date: 12/86. A new stand-

ardized information system, using new technology, is being implemented.

To improve the management of suspended materiel, the Secretary of the Navy should assess personnel resource allocations for the purpose of establishing a central control group at each inventory control point to provide oversight of suspended materiel. This group should receive and record discrepancy report data, monitor suspension times and the status of efforts to resolve discrepancies, keep item managers informed of the status of suspended items, and serve as a focus for questions from stockpoints.

Status: Action in process. Estimated completion date: 12/86. NAVSUP Instruction 4400.91, issued January 13, 1986, covers recommended action. DOD IG is confirming that the instruction fully implements this recommendation.

To improve the management of suspended materiel, the Secretary of the Navy should provide more explicit guidance on whether the inventory control point or stockpoint is responsible for

resolving suspended materiel discrepancies so that the materiel can be made issuable or disposed of in a timely manner.

Status: Action in process. Estimated completion date: 12/86. NAVSUP Instruction 4400.91 covers recommended action. DOD IG is confirming that

the instruction fully implements this recommendation.

Department of Defense - Military (Except Procurement and Contracting)

Observations on Ways the Navy Can Improve Curricula Development for Initial Skill Training

NSIAD-85-33, 12/18/84

Background

GAO reviewed selected Navy schools which provide initial skill training for entry-level sailors to determine whether the Navy's system for developing curricula adequately considers the diversity inherent in Navy occupations.

Findings

In many cases, GAO found that the jobs required of sailors in the same occupations varied between shore duty and sea duty as well as among ships. Without a thorough analysis of what should be taught, this diversity could result in curricula that include many tasks that are seldom performed at the entry level. Teaching skills which are not needed results in longer courses than necessary, increased costs, delays in getting sailors to the fleet, and a reduction in the number of personnel that can be trained. In an analysis of four occupational schools, GAO found that each school taught some tasks needed by less than 30 percent of the sailors. In addition, one occupation had very few tasks, and these tasks were being taught at both the entry-level school and the fleet training center. Although curricula changes are being made, GAO found that the schools still teach tasks not needed by most entry-level sailors, thereby unnecessarily extending training time. If material not needed by entry-level sailors were

deleted from the school courses, one school's time period could be reduced by 4 weeks, two schools' time periods could be reduced by 2 weeks each, and another school's time period could be reduced by 3 weeks or eliminated by sending sailors to fleet training centers where the same material is being taught.

Open Recommendations to Agencies

The Secretary of the Navy should, in developing new guidelines for curriculum development, ensure that there are provisions for specific use of data that identify the percentage of entry-level sailors in an occupation performing a task.

Status: Action in process. Estimated completion date: 12/86. The Navy is revising an instruction which will require specific reasons for retaining a particular task; however the instruction has not been issued.

The Secretary of the Navy should, in developing new guidelines for curriculum development, require identification of material in the curriculum that is needed by few sailors in an occupation and documentation of reasons for including that material.

Status: Action in process. Estimated completion date: 12/86. The Navy is revising an instruction to ensure that all required tasks are documented and justified; however, the instruction has not been issued.

The Secretary of the Navy should, while the new curriculum development guidelines are being developed, delete the material not needed by most entry-level sailors in the four "A" schools studied so that training resources can be better spent.

Status: Action in process. Estimated completion date: 04/87. The Navy expects to complete action on 25-percent man-year reductions in 21 selected "A" schools.

The Secretary of the Navy should, while new curriculum development guidelines are being developed, determine whether it is worthwhile to keep the ship serviceman "A" school since the core tasks are limited and are taught elsewhere in the Navy.

Status: Action in process. Estimated completion date: 12/86. The Navy is further reviewing this matter, and has no comment at this time.

Department of Defense - Military (Except Procurement and Contracting)

DOD Making Progress in Identifying and Marketing
Obsolete Repair Parts

NSIAD-85-47, 02/21/85

Background

In a follow-up review of obsolete items held in Department of Defense (DOD) inventories, GAO: (1) determined if DOD is still maintaining large inventories of obsolete repair parts; and (2) reviewed actions taken to offer these repair parts for sale to foreign governments.

Findings

GAO found that aggressive actions by the military services to identify and initiate system support buy-outs through Foreign Military Sales (FMS) program channels could reduce the possibilities of either unnecessarily holding obsolete repair parts in service inventories or needlessly disposing of repair parts still needed by friendly foreign governments. Also, according to DOD, buy-out programs enhance logistics support to foreign allies. The Air Force and the Navy have made significant progress in implementing buy-out programs.

Open Recommendations to Agencies

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that deactivation of weapon systems is coordinated on a timely basis between system managers and inventory control personnel so that obsolete repair parts can be promptly identified.

Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item application files are accurately maintained to facilitate the identification of obsolete repair parts which should be offered to friendly foreign governments through buy-out agreements.

Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item management specialists routinely review their repair parts to identify obsolete material.

Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent

system support buy-out program initiatives. Monitoring efforts should be designed to ensure that cooperative logistics supply support arrangements are amended to remove obsolete repair parts. Stock levels of these parts should be identified, and the countries involved should be requested to withdraw their material equities in the inventory held for them and be offered an opportunity to buy any additional obsolete parts remaining after the withdrawals.

Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that stock level replenishment buys of obsolete repair parts with DOD funds be discontinued. Demands from foreign military sales customers should be supported on a direct cite funding basis using the friendly foreign governments' monies. Outstanding purchase requests and contracts for obsolete repair parts citing DOD funds should be converted to direct cite foreign military sales monies.

Status: Action in process. The Navy has terminated \$29,350,000 of excess on order stocks.

Department of Defense - Military (Except Procurement and Contracting) Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements

NSIAD-85-43, 03/07/85

Background

GAO conducted a review to assess whether improvements have been made in: (1) the Navy's shore-based manpower management system; (2) the accuracy of Navy's workload data; and (3) the oversight of manpower planning at the Chief of Naval Operations (CNO) and Command headquarters and of the application and use of staffing standards at the user level.

Findings

GAO found that the Navy has made progress in managing its shore-based manpower by adopting work measurement concepts and methods. However, the Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS) and the Navy Manpower Engineering Program (NAVMEP) fall short of meeting congressional expectations. This is due primarily to: (1) the Navy's lack of oversight of manpower planning; and (2)

various continuing technical problems, such as budgeting, personnel, procedures, and data. GAO believes that the key reason manpower standards are not used is the absence of monitoring and enforcement at all levels. Most of the Navy's shore manpower is not covered by the SHORSTAMPS standards, there has been little emphasis on managing and retaining trained analysts, methods-improvement studies are not being performed, none of the major commands visited was ensuring that the Shore Required Occupational Capability (SHOROC) values submitted by activities were accurate, some commands were not using the system in accordance with the approved implementation instruction, and there was no incentive to use SHORSTAMPS. Furthermore, GAO found that NAVMEP, which the Navy has initiated because of dissatisfaction with SHORSTAMPS, may be endangered due to methodological weaknesses and budget instability. In NAVMEP, the Navy is likely to sacrifice accuracy and efficiency due

to time constraints, the use of macro-models, and the use of engineered estimates as a substitute for standards.

Open Recommendations to Agencies

The Secretary of the Navy should consider: (1) establishing a manpower management career field for military personnel, with defined standards of background, education, training, experience, and tenure for positions; and (2) formalizing and implementing a long-range tracking system to capitalize on the experience of manpower-trained officers and enlisted personnel.

Status: Action taken not fully responsive. The Navy believes that its Subspecialty Designator Program for manpower specialists is sufficient and it intends no action.

Department of Defense - Military (Except Procurement and Contracting)

DOD Should Adopt a New Approach To Analyze the Cost Effectiveness of Small Hospitals

HRD-85-21, 03/15/85

Background

GAO discussed the need for the Department of Defense (DOD) to adopt a new approach to analyzing the cost-effectiveness of providing inpatient services at small hospitals.

Findings

GAO found that, through its studies of nonfederal hospitals, smaller hospitals are less economical to operate than larger ones. The studies indicated that the most economical hospital size is between 200 and 300 beds. GAO also

found that, in fiscal year (FY) 1983, DOD operated 69 hospitals having daily inpatient loads of 50 or less. The cost to operate these hospitals totalled about \$506 million. Using a model that compared the costs of operating small military hospitals to the estimated costs of converting them to outpatient clinics, GAO found that DOD could have saved

\$3.9 million in FY 1981 costs had conversion taken place.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs and the Surgeons General of the Army, Navy, and Air Force to: (1) develop criteria to determine when providing inpatient services at small military hospitals is economical and necessary to meet the wartime

or peacetime benefit missions (the criteria should include the minimum work load needed to justify offering inpatient care, the distance to other civilian or federal hospitals, alternative treatment settings for active duty patients who require limited care, and other relevant considerations); (2) using a methodology similar to the one discussed in this report, analyze each small military hospital in the direct care system to determine its potential for conversion to an outpatient clinic; and (3) perform such analyses before requesting funds from Congress, or before expend-

ing any already approved funds, for reconstructing or renovating any small hospital in the DOD system.

Status: Action in process. Estimated completion date: 12/86. DOD is developing a Military Health Service System Sizing Model. This model will identify where it might be cost-effective to increase or decrease service. The model GAO developed identified only those facilities where a decrease in services might be cost-effective.

Department of Defense - Military (Except Procurement and Contracting)

The Navy Can Improve Material Management at Naval Shipyards

NSIAD-85-71, 05/06/85

Background

GAO conducted a review of four naval shipyards to determine the effectiveness of Navy material management activities.

Findings

GAO found that the naval shipyards do not effectively determine direct material requirements for future overhauls because: (1) complete and accurate usage data are not collected; and (2) historical usage information on prior overhauls is not analyzed. As a result, material shortages and surpluses reduce efficiency and increase costs of shipyard depot maintenance. Further, usage information is inaccurate because it includes unused materials placed in unrecorded stockpiles instead of being returned to the proper inventory location. Usage information is also inaccurate because it does not include many items used during overhauls that the shipyards have manufactured. Furthermore, material planners do not have an adequate management information system. Instead of using the data analysis part of a Naval Sea

Systems Command (NAVSEA) automated material requirements planning system, shipyards have continued to use ineffective local systems. As a result of ineffective planning, large amounts of unused materials from prior overhauls have been accumulated. In addition, the shipyards have not performed required physical inventories of shop stores or effectively identified, analyzed, and disposed of excess materials. Finally, because the shipyards have not been held accountable for implementing NAVSEA systems and procedures or held their personnel accountable for implementing the procedures, previously identified material management problems remain unsolved.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSEA, to initiate a one-time special project to have shipyards identify and record all existing unrecorded materials and retain only those materials allowed by Department of Defense and Navy regulations, return

all other needed materials to the supply system, and dispose of materials that are no longer needed.

Status: Action in process. Estimated completion date: 04/88. Coordination procedures for retail and intermediate levels are being established. The timetable for the one-time project to complete recommended actions is 2 to 3 years.

The Secretary of the Navy should direct the Commander, NAVSEA, to: (1) collect accurate information on materials used during overhauls; (2) properly account for unused materials upon the completion of each overhaul; and (3) record all manufactured materials in the historical usage data base.

Status: Action in process. Estimated completion date: 12/86. Tested procedures for holding material at one shipyard material control center are being implemented at other shipyards.

The Secretary of the Navy should direct the Commander, NAVSEA, to adopt

and implement a material requirements planning subsystem that the shipyards can use to analyze historical usage data.

Status: Action in process. Estimated completion date: 12/86. NAVSEA is finalizing plans for material information management system development.

The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards implement procedures to analyze actual usage data when ordering materials for future overhauls.

Status: Action in process. Estimated completion date: 12/86. The recording of material usage data in local material requirements data files is being pursued as an interim measure.

The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards: (1) perform the required

physical inventories; and (2) properly identify, analyze, and dispose of excess shop store materials.

Status: Action in process. Estimated completion date: 12/86. Inventory management and accuracy guidance is suspended until Cooper/Lybrand review recommendations are considered.

The Secretary of the Navy should direct the Commander, NAVSEA, to set organizational goals for each shipyard that address the efficiency and effectiveness of material management activities.

Status: Action in process. Estimated completion date: 12/86. Organizational goals will be in Cooper/Lybrand implementation plans.

The Secretary of the Navy should direct the Commander, NAVSEA, to closely monitor the shipyards' implementation of any changes in guidance concerning

physical inventories and excess materials.

Status: Action in process. Estimated completion date: 12/86. Monitoring plans were suspended pending completion of Cooper/Lybrand implementation plans. NAVSEA plans to monitor shipyard compliance with revised policies by setting up a reporting system.

The Secretary of the Navy should direct the Commander, NAVSEA, to require that shipyards include appropriate standards in the performance appraisals of shipyard employees responsible for material management activities and hold them accountable for meeting the standards.

Status: Action in process. Estimated completion date: 12/86. The Cooper/Lybrand review includes a recommendation for performance standards.

Department of Defense - Military (Except Procurement and Contracting)

GAO Assessment of DOD's Very High Speed Integrated Circuits (VHSIC) Technology Program

NSIAD-85-37, 05/08/85

Background

GAO reviewed the Department of Defense's (DOD) Very High Speed Integrated Circuits (VHSIC) program aimed at developing and demonstrating two generations of advanced data and signal processing technology for defense systems.

Findings

Although technical progress has been made, contractors have encountered significant delays and other problems in developing, demonstrating, and verifying the first generation VHSIC technology. GAO noted that: (1) empha-

sis on the completion and independent testing of first generation technology could increase the early utilization of VHSIC technology without further program extension; (2) cost increases resulted from expansion of the program's scope beyond its original mandate; (3) DOD proposed to improve, with direct subsidies, the contractors' manufacturing efficiency in producing, assembling, and testing VHSIC chips; and (4) increased emphasis on efforts to fulfill the VHSIC program's original mandate to develop, demonstrate, and verify technology would minimize system developers' uncertainties about using VHSIC technology.

Open Recommendations to Agencies

The Secretary of Defense should complete the development, demonstration, and verification of first generation VHSIC technology.

Status: Action in process. DOD stated that it will fully verify that first generation VHSIC chips are robust, reliable, and meet all applicable military specifications and standards. As of December 1986, DOD stated that the verification process is nearing completion.

The Secretary of Defense should issue the proposed policy directive on when and how system developers should consider the use of VHSIC technology. Status: Action in process. DOD is

formulating a new policy requiring the use of VHSIC in all major systems, both new designs and major upgrades. The services are working on plans to implement the new policy. As of

December 1986, however, that policy was at least several months away from being approved.

Department of Defense - Military (Except Procurement and Contracting)

Overview of the Status of the Defense Industrial Base and DOD's Industrial Preparedness Planning

NSIAD-85-69, 05/23/85

Background

Pursuant to a congressional request, GAO reviewed selected aspects of the Department of Defense's (DOD) requirements for peacetime and war reserve stocks of spare parts and provided an overview of the status of the defense industrial base and DOD industrial preparedness planning.

Findings

GAO found that, although a number of studies have expressed concerns about the adequacy of the defense industrial base and its capacity to surge production rates to meet short-term situations, DOD has recently taken actions to revitalize the responsiveness of the defense industrial base and improve industrial preparedness planning. Part of this

action requires the military services to annually submit production base analyses (PBA) that shows the status of the industrial base and the proposed measures and costs to enhance the industrial base. DOD has encouraged the services to use the contract production surge concept that can substantially reduce: (1) production leadtime for critical items in emergency situations; (2) the risk of obsolete parts; and (3) the storage space requirements. Finally, GAO found that the services were losing opportunities to use wartime production capabilities to offset war reserve requirements.

Open Recommendations to Agencies

The Secretary of Defense should reemphasize and monitor compliance with

the DOD policy of requiring the military services to reduce war reserve requirements to reflect contractors' wartime production capabilities.

Status: Action in process. Estimated completion date: 02/87. DOD reemphasized the need to comply with the policy by issuing DOD Instruction 4140.47 in February 1984 and DOD Instruction 4503.3 in April 1985. The services and the Defense Logistics Agency (DLA) are preparing PBA which will contain information needed to implement this recommendation. The Inspector General (IG) is monitoring actions and estimates implementation by January 30, 1987.

Department of Defense - Military (Except Procurement and Contracting)

Implementing Outpatient Surgery Programs in Military Hospitals Can Reduce DOD's Health Care Costs

HRD-85-23, 05/24/85

Background

GAO reviewed the extent to which outpatient surgery is being practiced in Department of Defense (DOD) hospitals.

Findings

GAO found that: (1) military hospitals have generally not adopted outpatient surgery programs as a means of reducing health care costs; (2) about 65 percent of the cases it reviewed could

have been treated on an outpatient basis; (3) expenditures by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) could have been reduced by up to \$3.6 million annually if outpatient surgery programs were implemented at the hos-

pitals reviewed; and (4) its estimate of the number of patients and procedures suitable for outpatient surgery may be conservative because it did not include certain procedures performed on an outpatient basis by nonfederal health care providers. GAO also found that military hospital commanders have not encouraged the implementation of outpatient surgery programs because they believe that: (1) patient population characteristics limit the potential for outpatient surgery; (2) operating room and other facilities at some hospitals could limit full development of outpatient surgery; and (3) outpatient surgery programs could adversely affect hospital staffing by reducing the number of inpatients. In addition, GAO and hospital commanders believe that outpatient surgery programs may not

result in savings to the DOD direct care system because: (1) while CHAMPUS is centrally funded and administered, the direct care system is funded and administered by the military services; and (2) patients who would have been treated under CHAMPUS could instead be treated under the direct care system, resulting in increased costs.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary of Defense (Health Affairs) to develop a DOD-wide policy on outpatient surgery programs in military hospitals. This policy should require: (1) the development of a list of surgical procedures, similar to the lists developed by Medicare and CHAMPUS,

suitable for performance on an outpatient basis in military hospitals; (2) that analyses be made on a hospital-by-hospital basis to determine whether implementing outpatient surgery programs would be cost beneficial, taking into account the potential for reducing CHAMPUS costs; and (3) the military services to implement formal outpatient surgery programs in all military hospitals where analyses show that this would reduce total DOD health care costs.

Status: Action in process. Estimated completion date: 03/87. The recommended policy is under development within DOD and full implementation is expected in fiscal year 1987.

Department of Defense - Military (Except Procurement and Contracting)

Problems in Implementing the Army's Reserve Components Full-Time Manning Program

NSIAD-85-95, 06/04/85

Background

GAO reviewed the Army's Full-Time Manning (FTM) program under which Active Guard/Reserve (AGR) personnel are assigned to Army Reserve units to enhance unit readiness and deployability. The Army plans to significantly expand the program over the next 2 years.

Findings

GAO found many positive aspects of the FTM program such as: (1) the military and educational background of AGR personnel; (2) the effects of increased full-time manning levels in units; (3) plans for professional and technical career development; and (4) the fact that AGR personnel are deployable with their units. However, problems remain in the program. GAO found that the basis for the projected

growth in the number of AGR personnel was questionable due to differences in FTM requirements between Army Reserve and Army National Guard unit models and the application of these models in the field. In addition, some concern has been expressed about the types of positions being filled as well as the numbers of FTM positions. Further, GAO found that program management lacked a clear direction, and Army regulations governing the program have been interpreted differently in the field causing: (1) a lack of uniformity in personnel practices; (2) overgraded personnel; (3) confusion over the proper role of technicians; (4) problems with displaced reservists and double slotting; and (5) concerns about AGR career viability. Finally, the current system of mixing civilian technical and AGR personnel in units at all levels causes effectiveness problems, particularly in the Army Reserve units. GAO believes that an all-civilian technician force in

units would be a less costly alternative than an all-AGR force, but many disadvantages would remain.

Open Recommendations to Agencies

The Secretary of the Army should ensure that the provisions of the regulations governing the FTM program are properly implemented in the field. In this respect, the National Guard Bureau should establish procedures to closely monitor activities in the states and determine what degree of centralized control is required to ensure that uniform standards are maintained.

Status: Action in process. Estimated completion date: 12/86. The Bureau will closely monitor the state-level management and utilization of full-time support personnel. Other actions being

taken will establish the optimum level of decentralized control consistent with applicable statutes and good management practices.

The Secretary of the Army should adhere to established grade structures for the AGR force and revise promotion policies to ensure that promotions are governed by this structure to prevent overgrading.

Status: Action in process. Estimated completion date: 12/86. Actions already implemented coupled with more specific

directives and monitoring by inspection teams are expected to prevent recurrence.

The Secretary of the Army should develop a plan for using the civilian technicians which removes their positions from deployable troop units and also protects the rights of current technicians and, following the development of such a plan, request that congressional restrictions affecting the movement of technician positions be removed to implement the phase-in of all-AGR full-time force in deployable troop units.

Status: Action in process. Estimated completion date: 12/86. The House Appropriations Committee retained the provision carried in recent appropriation acts which prohibits the in-place conversion of positions from civilian technician status to AGR status. An implementing proposal is being prepared which, if approved, will be followed by a DOD request for removal of congressional constraints on realignment of technician positions.

Department of Defense - Military (Except Procurement and Contracting) Improvements Needed in the Army's Program for Developing Extension Training Materials for Use by Soldiers in Field Units

NSIAD-85-73, 06/17/85

Background

GAO reviewed the Army's program for developing extension training materials to improve individual soldier proficiency in field units, including: (1) indications of low usage of Training Extension Course lessons by soldiers in the field; (2) improvements needed in the process for developing extension training materials; and (3) the need for further evaluation before the Army commits itself to procuring a new electronic information delivery system.

Findings

GAO noted that: (1) Army studies, audits, and other data since 1979 have characterized the use of training materials as low for the extension courses; (2) the Army did not have criteria specifying what acceptable usage levels for individual training materials are; and (3) none of the studies or surveys fully explored the reasons for what was characterized and reported as low usage levels. GAO found that the Army has initiated actions to improve its process

for developing extension training materials by issuing guidance for development. The U.S. Army Training and Doctrine Command (TRADOC) stated that materials must be needed and wanted by field units on the basis of the identification of critical tasks; however, GAO found that TRADOC schools were not obtaining field unit input on needs for extension training materials. GAO also found that: (1) the Army planned to procure a new electronic information delivery system to be distributed on the basis of user demand; (2) the Army needs to proceed cautiously in procuring the new system for field use until after it has made the needed management improvements in the program for developing extension training materials; and (3) TRADOC needs to define what the determination of field needs for training products means and include it in its guidance procedures for obtaining field unit input.

Open Recommendations to Agencies

To improve the extension training materials program, the Secretary of the

Army should direct the Commander, TRADOC, to develop criteria for what is to be considered an actual or a stated field need for extension training materials to include what acceptable usage levels for the materials are.

Status: Action in process. Estimated completion date: 04/87. TRADOC has begun to develop criteria for identifying field needs and defining acceptable usage levels, along with appropriate procedures for improving usage levels, adjusting management of fielding practices to solve the problem, and/or revising the materials to meet the problem.

To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to delineate procedures in TRADOC guidance which specify: (1) how schools should obtain field input on actual needs; and (2) how this input is to be used in developing materials.

Status: Action in process. Estimated completion date: 04/87. TRADOC head-

quarters has begun to: (1) review and improve procedures for training materials development; (2) ensure the adequacy of the total process; and (3) assess periodically the adequacy of the resulting materials. This will include obtaining field input on needs and guidance on how their input will be used in developing materials.

To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to obtain feedback on individual training materials usage and

effectiveness for the purposes of incorporating lessons learned into the development of requirements for new extension training materials and determining the need to revise existing materials.

Status: Action in process. Estimated completion date: 04/87. TRADOC, as an element of its review of the process of identifying and meeting field training support needs, has begun to ensure the systematic checking of training materials use and effectiveness. TRADOC is also being tasked with the requirement to periodically assess the effectiveness of the feedback procedure.

Concerning the Army's plans to procure the new video-disc equipment units for field use, the Secretary of the Army should reevaluate the fiscal year 1989 procurement plan using test results of field use and need.

Status: Action in process. Estimated completion date: 04/87. The Army is making a continuous analysis of extension training material usage and agreed to cut procurement if the video-disc system does not prove itself.

Department of Defense - Military (Except Procurement and Contracting)

Management of Naval Supply Center Labor Resources Can Be Improved

NSIAD-85-129, 08/09/85

Background

GAO reviewed the effectiveness of labor resource management at seven naval supply centers.

Findings

GAO found that opportunities exist for better labor resource management at the centers. Between fiscal years 1980 and 1984, annual civilian labor costs increased from \$152 to \$259 million. In the late 1960's and early 1970's, Department of Defense (DOD) activities used work measurement techniques as part of a formal program, reporting annual cost savings of \$121 million. However, by 1974, the Navy began to deemphasize work measurement. GAO found that the Naval Supply Systems Command (NAVSUP) does not have an effective work measurement system for the supply centers or an overall plan to develop and implement one. Instead, the supply centers rely on a management information system that is not effective in evaluating the efficiency

of the labor force. Some supply centers have individual ongoing projects to improve work measurement, but they are limited in scope. In 1985, NAVSUP initiated a project which includes an industrial engineering survey to determine the most efficient material and work processes flow, develop standards to control the movement of materials, and track work processes. In addition, NAVSUP initiated a physical distribution resourcing plan to determine the cost of physical distribution work at a supply center, project work loads, and determine a labor rate for work loads to measure performance against. The Navy plans to expand the use of the rate system at supply centers in October 1985.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSUP, to develop and implement effective work mea-

surement and management information systems for the naval supply centers. These systems should include: (1) identifying the most efficient way to do a specific task; (2) determining how much time each task should take; (3) collecting accurate labor hour data to compare with the labor standards; (4) reporting and comparing work load production and labor usage data at the work center level; and (5) using the above information to set productivity goals, analyze labor use, and determine labor resource requirements.

Status: Action in process. Estimated completion date: 10/87. A four-phase project, including an in-depth industrial engineering analysis, to determine the most efficient material flow, location, and work processes, is ongoing. Also, an automatic data processing chargeback system and weighed productive unit to reduce costs, accommodate unbudgeted growth, and improve efficiency, is planned. The final milestone is scheduled for October 1987.

 Department of Defense - Military (Except Procurement and Contracting)

Routing Small Shipments of Hazardous or Sensitive Cargo

 NSIAD-86-34, 12/20/85

Background

GAO evaluated the Military Traffic Management Command's (MTMC) actions in response to previous GAO recommendations concerning the routing of small shipments of hazardous or sensitive cargo.

Findings

GAO found that MTMC has attempted to comply with earlier report recommendations by: (1) obtaining and issuing additional installation shipping and receiving data; (2) making and documenting cost comparisons; (3) making more disclosures of shipping requirements; (4) maintaining more distribution records; and (5) establishing standard operating procedures which assign responsibilities and define procedures for selecting carrier service on small shipments of ammunition, explosives, and weapons. However, GAO found that MTMC instructions and guidelines are sometimes incomplete, unclear, or not followed, resulting in: (1) the preclusion of the use of the lowest cost air taxi service; (2) reliance on incomplete and conflicting information; (3) questionable cost analysis; and (4) inconsistent consideration of shipment time factors.

Open Recommendations to Agencies

The Commander, MTMC, should revise and expand MTMC instructions to shippers for submitting requests for routing advice.

Status: Action in process. Estimated completion date: 12/86. MTMC instructions to shippers on the submission of requests for routing will be revised and expanded in DTMR. A definition of required delivery date (RDD) and how it is to be used will be included in a change to DTMR. Revision and expansion of MTMC challenge procedures to these requests are being made. A revision has not been made to date but is expected in December 1986.

The Commander, MTMC, should make sure MTMC guidelines call for certain challenge criteria on shippers' requirements.

Status: Action in process. Estimated completion date: 12/86. MTMC will provide guidance in MTMCR 55-1 to its area commands to ensure that they have the same challenge procedures. The area commands will challenge the need for palletization and RDD when the low-cost mode cannot be used because of these requirements and the difference in cost exceeds \$100. A record of all challenges made by routing technicians will be made on route order worksheets.

The Commander, MTMC, should verify routinely that MTMC guidelines are followed. These instructions and guidelines should specifically: (1) require shippers to certify the necessity for palletization when it is used on these small shipments; (2) provide for a requirement that information on air taxi landing fields be continuously updated and any discrepancies between the shippers' information and MTMC information be resolved quickly; (3) require development and use of a MTMC-approved methodology for computing air taxi pickup and delivery costs which would result in a greater degree of consistency in the costs among installations and which would be available to the air taxi industry; and (4) define the term required delivery date as it is to be used in requesting routing advice and how it, along with the transportation priority, will be used in making the mode and carrier choice.

Status: Action in process. Estimated completion date: 12/86. MTMCR 55-1 will contain provisions for review by the area command's supervisory personnel to ensure that routing technicians follow the guidelines. To ensure compliance, this will be an item for review during headquarter staff assistance visits. MTMC recognizes the need for information in the Terminal Facilities Guide to be current and has designed an automated system for timely updates.

 Department of Defense - Military (Except Procurement and Contracting)

Emergency Airlift: Responsiveness of the Civil Reserve Air Fleet Can Be Improved

 NSIAD-86-47, 03/24/86

Background

GAO reviewed the Civil Reserve Air Fleet (CRAF) program to determine whether: (1) the Department of Defense's (DOD) efforts to ensure that CRAF is ready for mobilization were sufficient and effective; and (2) commercial carriers were prepared to support CRAF aircraft, particularly at foreign airfields.

Findings

GAO found that it was uncertain whether CRAF could effectively meet DOD mobilization requirements because: (1) Military Airlift Command (MAC) tests of the program through simulation and field exercises had been very limited; (2) DOD had provided limited mobilization planning data to CRAF carriers, making it very difficult for the carriers to plan for utilization of the system in an emergency; (3) MAC had not sufficiently monitored carrier compliance with contract provisions designed to help ensure effective mobilization; and (4) the incompatibility of data communications services at some military airfields with existing commercial services could hinder effective communications. GAO also found

that, at overseas airfields, CRAF might not get the support needed because responsible carriers were unaware of the estimated workload for each location. Having allies provide this support under host-nation support agreements is an option that DOD is pursuing.

Open Recommendations to Agencies

The Secretary of Defense should require MAC to: (1) provide typical work load information to key carrier representatives and evaluate the carriers' abilities to perform their missions; (2) assess CRAF capability of using data obtained from the carriers, field exercises, and simulations; (3) evaluate CRAF carriers' efforts to meet contractual requirements, such as number of qualified crews with security clearances, the availability of Geneva Convention cards, and navigational route kits; and (4) consider the need for additional data communications capabilities at key military airfields for use by CRAF carriers during a national emergency.

Status: Action in process. In its May 30, 1986 response, DOD stated that it concurred with the recommendations and would ask the Air Force to take necessary action to implement them. As of December 1986, an action plan had not been finalized for submission to Congress and OMB.

The Secretary of Defense should require MAC to: (1) provide carriers responsible for supporting CRAF aircraft overseas with general work load data on the numbers and types of aircraft to be supported at each foreign airfield for their use in planning the efficient movement of combat personnel and cargo; and (2) fully consider CRAF senior lodger support requirements in negotiating host-nation support agreements.

Status: Action in process. In its May 30, 1986 response, DOD stated that it concurred with the recommendations and would ask the Air Force to take necessary action to implement them. As of December 1986, an action plan had not been finalized for submission to Congress and OMB.

Department of Defense - Military (Except Procurement and Contracting)
Improved Ship Manpower Document Program Could Reduce Requirements

 NSIAD-86-49, 03/27/86

Background

Pursuant to a congressional request, GAO reviewed the Navy's Ship Manpower Document (SMD) program, which the Navy uses to estimate work force requirements for its fleet.

Findings

GAO found that: (1) the requirements that the Navy has established through the SMD program are questionable because the methodology it uses in the program is not rigorous enough; and (2) the net effect of the lack of rigor is that the Navy has overestimated many of its manpower requirements and underestimated others. GAO also found that the Navy: (1) does not maintain adequate documentation to support its watch station (WS) requirements estimates; (2) does not base WS requirements estimates on rigorous onboard analyses of ship operating procedures; (3) has not made adequate progress in developing new standards for own unit support (OUS) requirements; (4) has no reliable historical data base of preventive maintenance (PM) and corrective maintenance (CM) accomplished on its ships; (5) uses invalid ratios based on PM to estimate CM requirements; (6) adds allowances for preparation and nonproductivity to its PM and CM estimates; and (7) does not use the same assumptions for its computer simulation and its conceptual model for facilities maintenance (FM). In addition, GAO found that: (1) the SMD computer model does not reflect basic assumptions regarding work performed in port and the average work week for Navy personnel; (2) the SMD computer model does not account for maintenance work that watch personnel perform; (3) the Navy does not adequately document the

SMD system or changes to it; and (4) the Navy has neither adequately monitored nor controlled the program nor ensured effective communication among program participants.

Open Recommendations to Agencies

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should commit the necessary analytical staff resources, both in number and experience, and provide adequate training to the analytical staff to ensure that improved methods will be used to determine SMD manpower requirements.

Status: Action in process. Estimated completion date: 12/86. Several personnel were reallocated to SMD review functions; an extensive training and certification program is being developed; Civilian Technical Director positions were established; and a Chief of Naval Operations (CNO)/Navy Manpower Engineering Center (NAVMEC) study on manpower needs at NAVMEC/SMD will be established. Completion of action is expected by the end of FY 1988.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should reexamine, on a sys-

tematic basis, the adequacy and accuracy of all WS standards used in the SMD process.

Status: Action in process. Estimated completion date: 09/87. A systematic review and update will occur during fiscal year (FY) 1986 through 1987, and a documented audit trail for each WS will be generated.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should require a more rigorous and comprehensive onboard ship validation, including observation of the crew functioning in an operational environment or simulation and analysis of ship supporting records. This is especially important for new ship classes and for ships that have undergone extensive alteration in terms of new equipment and configuration changes.

Status: Action in process. Estimated completion date: 12/86. NAVMEC initiated an onboard ship survey of a carrier. The study is scheduled for completion by September 1986, at which time an assessment will be made regarding the value of the observation practice.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should expedite the development of the new OUS standards.

Status: Action in process. Of the total 70 OUS standards to be developed, 15 have been completed and approved. The remainder will be completed during FY 1986 through 1990.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should identify areas of ship operations where methods-improvement studies are practical and feasible and begin a program of conducting these studies.

Status: Action in process. Estimated completion date: 12/86. NAVMEC will complete a study by September 1986 to identify those appropriate areas of ship operations and administration in which method studies are expected to be practical and cost-effective.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should expedite the development of both a PM and a CM data base for establishing SMD maintenance work load and work force requirements by ensuring that the Maintenance Data System is: (1) developed properly to incorporate both PM and CM data collection components; (2) implemented in a timely manner; and (3) used by the fleet to accurately report actual PM and CM work load data.

Status: Action in process. An improved Maintenance Data System (MDSII) is planned to provide this capability. However, the software required to capture CM and PM data will not be available until 1987 and the ship hardware needed to communicate the data will be issued during the 1989-1990 time frame.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should consider suspending the addition of the make-ready and put-away (MRPA) allowance to estimated PM work load and the nonproductive allowance to PM, CM, and OUS work load estimates until the Navy is able to measure these work loads using more precise methods and, if allowances are used in the future, develop documented support for their accuracy and justification for their use.

Status: Action in process. Estimated completion date: 10/87. CNO/NAVMEC initiated a review of MRPA and PA allowances which will be completed at the end of FY 1987. Documentation of required allowances will be refined by the end of FY 1988.

In order to improve the soundness and rigor of work load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should validate the pay-grade staffing tables to establish wartime grade requirements and develop documented support for their use.

Status: Action in process. NAVMEC initiated a review of SMD staffing tables that will be completed in FY 1990.

The Secretary of the Navy should require that the SMD model be reviewed and adjusted so that it more accurately corresponds to how the Navy plans to operate during wartime, specifically that it: (1) reflects the amount of ship maintenance done in port; (2) allots no more Sunday free time than would be allotted in wartime; (3) introduces a wartime in-port work week and work load standards; and (4)

ensures that work accomplished during watch duty is not being double counted.

Status: Action in process. Estimated completion date: 12/86. The Navy feels that: (1) wartime in-port work week and in-port work load standards should not be incorporated in the SMD model; (2) the SMD model will be adjusted by NAVMEC by September 1986, to reflect hours of Sunday freetime; and (3) an ongoing evaluation by CNO and various echelons will be completed by FY 1987 to assess work accomplishment and counting.

The Secretary of the Navy should ensure that the computer simulation of the SMD model is corrected to allow FM work loads to float across occupation, division, and department lines.

Status: Action in process. Estimated completion date: 09/87. Final implementation in the SMD model of this recommendation will be accomplished by September 1987.

The Secretary of the Navy should require that management and users are provided with a properly documented description of the SMD modeling process.

Status: Action in process. Estimated completion date: 12/86. OPNAVINST 5310.18 and 5310.19 will provide documented guidance, which is projected to be promulgated by October 1986. In addition, the training class for SMD should provide guidance.

The Secretary of the Navy should require that Required Operational Capability (ROC) and Projected Operational Environment (POE) statements be thoroughly and critically analyzed on a periodic basis, with the objective of eliminating unnecessary tasking requirements, and that criteria for making this analysis be provided.

Status: Action in process. Estimated completion date: 12/86. OPNAVINST C3501.2G, dated September 1985, directs that ROC/POE statements be main-

tained current by responsible officials and specifies the criteria for conducting manpower impact analysis. Further amplification of the periodic ROC/POE review process will be provided by OPNAVINST 5310.18A.

The Secretary of the Navy should improve the management of the SMD program to reduce the likelihood of future problems by: (1) establishing a

monitoring system that will periodically review the SMD system, model assumptions, and documentation for currency, accuracy, and completeness, and will include reviews of SMD assumptions by operational officials; and (2) improving communications, especially between Navy operating officials and SMD-program staff, by providing the operating officials with a channel for notifying SMD staff of changes in scenario

assumptions and a basic understanding of the processes of the SMD system.

Status: Action in process. Estimated completion date: 12/86. An initial, in-depth review of the SMD program by CNO and NAVMEC is ongoing. Standards for future annual CNO reviews of the SMD program will be updated based on this examination.

Department of Defense - Military (Except Procurement and Contracting)

Air Reserve Forces: Opportunities for Savings in Transfer of C-5 and C-141 Aircraft

NSIAD-86-91, 05/01/86

Background

GAO evaluated the Air Force's actions and plans in transferring C-5 and C-141 aircraft from the active Air Force to the Air Reserve Forces (ARF) to determine how the Air Force was managing costs associated with such transfer.

Findings

GAO found that the conference committee for the Department of Defense (DOD) fiscal year 1984 appropriations act directed the Air Force to plan for transferring 36 C-141 aircraft to ARF. The Air Force recommended transferring C-5 as well as C-141 aircraft to ARF because of the higher operational costs of the C-5 and the large peacetime role of the C-141 aircraft. GAO believes that ARF bases receiving new aircraft must acquire sufficient spare

parts to preclude excessive grounding of aircraft; however, excessive spares will increase costs of storage and transportation and result in unnecessary or premature acquisitions. GAO found that the Air Force planned to establish a jet engine intermediate maintenance facility at Kelly Air Force Base (AFB) as part of the transfer of C-5 aircraft to three ARF units. The Air Force estimated the cost of facilities and support equipment at over \$7 million. GAO also found that the Air Force plans to transfer an additional 64 C-141 aircraft to ARF in the 1990's. The Air Force estimated that the military construction cost for the transfer of the 16 C-141 and 44 C-5 aircraft will be \$223.5 million and the cost for ground support equipment will be \$46.4 million. GAO believes that the Air Force needs to focus greater attention on the costs involved to ensure that such transfers

are completed in the most cost-effective manner.

Open Recommendations to Agencies

The Secretary of the Air Force should require that in-depth cost analyses be prepared for future transfers so that the most cost-effective decisions are made.

Status: Action taken not fully responsive. While DOD stated that in-depth studies are always done, GAO saw no evidence that they were done in the past and there were no changes in requirements or responsibilities which indicate that they will be done in the future.

Department of Defense - Military (Except Procurement and Contracting)
DOD Should Improve Its Accounting for Asset Capitalization Program Funds

 NSIAD-86-112, 05/23/86

Background

GAO reviewed the implementation of the Department of Defense (DOD) Asset Capitalization Program (ACP) to evaluate its progress and problems after 2 years of operation.

Findings

GAO found that: (1) although ACP is in its fourth year of operation, DOD accounting procedures do not separate ACP funds from those generated through charges to customers for goods or services; (2) DOD does not have the financial data to ensure that funds will be available for equipment acquisition when needed; (3) information on ACP is not sufficient to assure Congress that program requirements are being met; and (4) since fiscal year 1983, the funds available for industrial fund purchases have increased. GAO also found that: (1) although DOD has not updated its industrial fund regulations to provide for ACP accounting procedures, it has developed internal accounting reporting

requirements, which will include ACP; (2) cash generated through ACP, if not separately accounted for, is used to finance operating costs other than ACP purchases; (3) the influx of ACP cash has enhanced the position of the industrial funds and avoided cash shortages; (4) DOD does not track the status or use of ACP funds; and (5) the establishment of separate cash accounts, reflecting ACP revenues, is one way that DOD can provide the controls necessary to ensure the availability of ACP funds.

Open Recommendations to Agencies

The Secretary of Defense should expedite the establishment of formal ACP accounting procedures within the next fiscal year.

Status: Action in process. DOD agreed and is in the process of revising chapter 95, "Industrial Fund

Statements," of the DOD Accounting Manual.

To provide Congress with the information necessary to ensure the viability of ACP and compliance with section 305(j) of the 1985 DOD Authorization Act, the Secretary of Defense should consider establishing separate cash accounts and a separate equity section in the industrial fund accounting system, or expanding its annual reporting to Congress to include actual ACP revenues, obligations, and expenditures by fiscal year.

Status: Action in process. Estimated completion date: 02/87. DOD decided not to establish separate cash accounts or equity sections in its accounting systems. However, DOD has agreed to expand its reporting on ACP in its annual industrial fund report to Congress, due in February 1987.

Department of Defense - Military (Except Procurement and Contracting)
Air Force Logistics: Improvements Needed in Managing Items Critical to Combat Capability

 NSIAD-86-100, 06/05/86

Background

GAO reviewed the Air Force's Critical Item Program to determine whether it was: (1) identifying parts shortages that seriously impaired mission capability; (2) quickly restoring supplies of mission-essential parts; and (3) identi-

fyng underlying causes of shortages to prevent recurrences.

Findings

GAO found that operating bases report: (1) each instance when a mission-essential part fails and cannot be replaced from base stock; and (2) the number of hours between the time the

base requisitions a part and the time it receives the part. If a part accumulates more than 1,000 requisition-hours in a month, the Air Force adds it to the program. Five air logistics centers (ALC) are primarily responsible for implementing the program. GAO also found that ALC did not: (1) follow prescribed procedures for includ-

ing qualified items in the program; (2) timely take physical inventories to verify purchase requirements and available stock; (3) timely process procurement requests; (4) timely receive bases' failed parts for repairs; or (5) accurately identify and timely correct underlying causes of critical parts shortages. In addition, GAO found that ALC generally did not adequately: (1) follow-up and correct program deficiencies identified by Air Force auditors; (2) enforce minimum standards for reviewing and documenting critical item shortages; or (3) award contracts within a reasonable time.

Open Recommendations to Agencies

The Secretary of the Air Force should direct that steps be taken to increase the Critical Item Program's priority and visibility.

Status: Action in process. Estimated completion date: 09/87. The Inspector General (IG) of the Department of Defense sent out inquiries the first part of October 1986 and requested that GAO call back in early December.

The Secretary of the Air Force should ensure that each of the ALC uniformly adheres to program entry criteria.

Status: Action in process. Estimated completion date: 09/87. The Air Force Manual (AFM) was completely revised in June 1986 to better define ALC duties and responsibilities. The Air Force Logistics Command (AFLC) IG is to follow-up.

The Secretary of the Air Force should enforce the ALC management review standards that provide direction and support to operating personnel responsible for timely remedial actions, and require complete documentation of directions given, actions taken, and results achieved.

Status: Action in process. Estimated completion date: 09/87. AFM changes strengthen the responsibilities and junctions of the ALC Critical Item Review Committee to assign responsibility, establish target dates, and report on progress.

The Secretary of the Air Force should clearly state in AFM 67-1 that

identification and elimination of underlying causes of critical item shortages is a program objective and prescribe procedures and responsibilities for achieving this objective.

Status: Action in process. Estimated completion date: 12/86. AFM will provide the recommended guidance. Estimated completion date for changes to AFM 67-1 is December 1986.

The Secretary of the Air Force should develop the means of measuring program effectiveness and require AFLC and Air Force Headquarters to continuously assess program management's effectiveness.

Status: Action in process. Estimated completion date: 09/87. Effectiveness information will be provided by the following systems: (1) the Automated Critical Item Network, October 1986; (2) the Get Well Assessment Module, October 1986; and (3) Reliability and Maintainability Information System, September 1987.

Department of Defense - Military (Except Procurement and Contracting)

Army Depots: Planned Distribution Centers Are Not Adequately Justified

NSIAD-86-84, 06/06/86

Background

GAO reviewed the Army's Area Oriented Depot (AOD) modernization program which will provide three new, mechanized distribution centers to respond to projected peacetime work load increases and to replace old facilities.

Findings

GAO noted that construction of the centers should begin in 1986 and is expected to take 30 months for each center. GAO found that: (1) the Army's computations overstated the projected peacetime work load increases for the two facilities; (2) the Army designed the facilities for 3 times their projected work load rather than the required 1.6 times the current peacetime work

load; (3) the Army did not document alleged problems with the equipment; (4) most of the problems concerned the materiel handling systems which the Army could replace; (5) a majority of the new equipment the Army purchased for two of the facilities would not be used if the new centers became operational; (6) the analyses did not identify less costly alternatives to the new centers, did not reflect the sensitivity of the two projects to estimated cost

changes, and excluded major costs that would affect the viability and payback period for the centers; (7) the highly mechanized operations for the new centers may be unnecessary; and (8) existing work load distribution imbalances would probably continue to exist under the modernization program.

Open Recommendations to Agencies

The Secretary of Defense should ensure that auditable AOD peacetime work load projections are developed using statistically valid forecasting principles.

Status: Recommendation valid/action not intended. The Department of

Defense (DOD) did not concur with this recommendation.

The Secretary of Defense should ensure that the information necessary to identify the amount of excess capacity or capability needed to support emergencies and mobilization is developed.

Status: Recommendation valid/action not intended. DOD did not concur with this recommendation.

The Secretary of Defense should ensure that options for improving the efficiency and capability of existing facilities to satisfy any projected work load increases are examined and the cost effectiveness of those options is compared with

the current estimated cost of constructing new distribution centers.

Status: Recommendation valid/action not intended. DOD did not concur with this recommendation.

The Secretary of Defense should ensure that AOD current operations and work load distribution imbalances are analyzed to identify potential economies and efficiencies to be gained by further consolidation or realignment of the AOD system.

Status: Recommendation valid/action not intended. DOD did not concur with this recommendation.

Department of Defense - Military (Except Procurement and Contracting)

Vehicles: Law Authorizing Shipment of Service Members' Vehicles Needs Revision

NSIAD-86-142, 06/11/86

Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) policy for shipping service members' privately owned vehicles (POV) at government expense to determine if current legislative requirements adversely affect their efficient and economical movement.

Findings

GAO noted that: (1) the Joint Travel Regulations restrict the shipment of POV at government expense to members ordered to make a permanent change of station to, from, or between places outside the United States; (2) the regulations provide for transportation

of POV within the continental United States (CONUS) only in the case of home port changes; and (3) members are entitled to allowances when driving their POV to new duty stations in CONUS only in lieu of commercial transportation for the member or his family. GAO found that: (1) existing law requires most POV shipments to be on ocean vessels and between customary ports; (2) in fiscal year 1985, these restrictions resulted in over \$3.1 million in additional costs to DOD, increased mileage reimbursements to members, and delayed the shipment of vehicles by as much as 4 months; and (3) DOD paid about \$4.8 million more for members stationed in Germany to pick up or deliver their POV than if the members could have done so at a location closer to their duty stations.

Open Recommendations to Congress

Congress should amend the current law to permit the overland movement of members' POV when it is the most efficient and economical means of transportation. Such change would require only minor revisions to the existing law and would follow the amendment language proposed by the House in 1985, but should also delete the requirement that vehicles only be shipped between customary ports.

Status: Action in process.

 Department of Defense - Military (Except Procurement and Contracting)

National Training Center's Potential Has Not Been Realized

 NSIAD-86-130, 07/23/86

Background

GAO reviewed the Army's National Training Center (NTC) to determine whether the Army was: (1) using the information it collected from NTC exercises to analyze deficiencies in unit performance, determine their causes, and initiate solutions; and (2) developing Army-wide lessons learned from exercise results.

Findings

NTC objectives are to: (1) provide individual soldiers and units a training environment which closely parallels that of actual warfare; and (2) enable the Army to objectively measure the effectiveness and efficiency of organizations and weapon systems. GAO found that the Army has: (1) achieved its objective of providing training under realistic conditions; (2) been unable to use the objective data it collected for overall assessments of its organizations and weapons systems; and (3) been unable to identify causes of Army-wide problems demonstrated during NTC exercises and initiate solutions. GAO also found that: (1) the Army has not identified the types of data it needs to assess unit performance over the long term; (2) the data that the NTC instrumentation system collected were too unreliable and incomplete for overall analysis because the

system was unable to monitor and record battlefield vehicle activities during movement along valleys and trenches; and (3) the Army used some of the data collected as a training aid to provide immediate feedback on unit performance. The Army has awarded a contract to solve its data analysis problems in measuring unit and weapon system effectiveness; however, the loss of battlefield data due to instrumentation shortcomings is a continuing problem. The Army is also developing a new system to identify lessons learned from a number of sources at an estimated cost of \$3.4 million through fiscal year 1991.

Open Recommendations to Agencies

Once the contractor has determined the data requirements necessary for measuring unit and weapon system effectiveness at NTC, the Secretary of the Army should determine the technological and economic feasibility of collecting such data in order to ensure that the data needed for analyses are available before resources are committed to data collection.

Status: Action not yet initiated. A decision on the technological and eco-

nomically feasibility of collecting needed data is expected by the summer of 1987.

If objective data can be economically collected, the Secretary of the Army should establish a target date for implementing a system for data collection and analysis.

Status: Action not yet initiated. Depending on the outcome of the feasibility of collecting required data, the Army will either establish a target date for implementing a data collection and analysis system or determine the most cost-effective system to obtain data for units' after-action reviews.

If objective data collection is not technologically or economically feasible, the Secretary of the Army should determine whether the current data collection system is the most cost-effective system for obtaining the information currently used or needed for units' after-action reviews.

Status: Action not yet initiated. Action on this recommendation is dependent on the feasibility of collecting required data.

Department of Defense - Military (Except Procurement and Contracting)

Authority Issues Affect Joint System Development

NSIAD-86-155, 07/23/86

Background

GAO reviewed the Department of Defense's (DOD) Joint Deployment System (JDS) to: (1) determine whether the Joint Deployment Agency (JDA) had adequately identified the needs and requirements for an effective deployment coordination system; and (2) evaluate progress in implementing the system.

Findings

GAO determined that JDS: (1) has not achieved the capability to allow commanders to quickly develop and select feasible courses of action for deploying troops to a conflict area in a sudden crisis for which no contingency plan exists; and (2) cannot be completed until DOD resolves disagreements on the information to be provided to and by the system, and makes other improvements. GAO believes that increased Office of the Secretary of Defense (OSD) involvement, including specific guidance and direction, is now critical, because the Joint Chiefs of Staff (JCS) lack authority to: (1) resolve deployment disagreements; and (2) require actions which

support JDS development. GAO also believes that guidance and direction is needed to ensure that the capabilities JDS needs are completed in a timely manner.

Open Recommendations to Agencies

To ensure that the disagreements between community members on information which a deployment system, such as JDS, should provide and system interfaces are resolved at the earliest possible time, the Secretary of Defense should require the ultimate users, JCS and the supported commanders, to establish firm milestones for agreement on the interfaces needed for the system.

Status: Action not yet initiated. DOD expects to submit a response to GAO in May 1987.

To ensure that the disagreements between community members on information which a deployment system,

such as JDS, should provide and system interfaces are resolved at the earliest possible time, the Secretary of Defense should require JCS and JDA to report to OSD at the earliest reasonable time any disagreements or lack of cooperation from community members which could affect JDA capability to meet the milestones established.

Status: Action not yet initiated. DOD expects to submit a response to GAO in May 1987.

To ensure that the disagreements between community members on information which a deployment system, such as JDS, should provide and system interfaces are resolved at the earliest possible time, the Secretary of Defense should provide for followup actions to ensure appropriate resolution of the issue.

Status: Action not yet initiated. DOD expects to submit a response to GAO in May 1987.

Department of Defense - Military (Except Procurement and Contracting)

Strategic Defense Initiative Program: Controls Needed Over Construction and Operational Support Funds

NSIAD-86-145, 07/24/86

Background

GAO studied the Strategic Defense Initiative Organization's (SDIO) plans for constructing facilities for the Strategic Defense Initiative (SDI) program, specifically whether SDIO had adequate management controls in place to identify, plan, review, approve, and notify Congress of SDIO-funded construction projects.

Findings

GAO found that: (1) SDIO failed to notify Congress in advance of funds it spent on a construction project that Congress did not previously authorize; (2) SDIO failed to notify Congress in advance of funds it spent on a construction project at a contractor-owned, and contractor-operated facility it undertook with research, development, test, and

evaluation (RDT&E) funds; (3) agencies improperly used RDT&E funds for projects involving SDI research; and (4) SDIO used SDI research funds to repair a roof and maintain facilities without congressional knowledge.

Open Recommendations to Agencies

The Secretary of Defense should require the Director, SDIO, to establish: (1) policies on the use of SDI funds for operational support; and (2) agreements with executing agencies delineating responsibilities for funding operational support of SDIO-funded facilities.

Status: Action in process. SDIO is requiring executing agencies to provide information on all construction efforts planned regardless of the type of funding. Reports are due by the end of 1986.

The Secretary of Defense should require the Director, SDIO, to describe in budget documents the planned use of RDT&E funds for operational support costs, such as operation and maintenance of facilities and acquisition of transportation assets.

Status: Recommendation valid/action not intended. SDIO stated that Congressional Descriptive Summaries will describe planned use of funds allocated to SDIO.

Department of Defense - Military (Except Procurement and Contracting)

Buying Spares Too Early Increases Air Force Costs and Budget Outlays

NSIAD-86-149, 08/01/86

Background

GAO reviewed the Air Force's practices for purchasing recoverable aircraft spare parts to determine whether it was buying them at the appropriate time.

Findings

GAO found that: (1) two of the five air logistics centers regularly bought recoverable spares up to 14 months earlier than necessary; (2) the two cen-

ters prematurely invested about \$374.5 million in spare parts inventories in 1984, increasing their inventory holding costs by about \$52.2 million; (3) approximately \$125.4 million of the total amount the centers invested prematurely represented purchases made more than 1 year too early; and (4) the Air Force could have deferred requests for the two fund appropriations for 1 year. GAO also found that elimination of the practice of early procurement would result in significant reductions in inventory holding costs and defer-

als in procurement outlays and budget requests.

Open Recommendations to Agencies

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command (AFLC), in providing annual buy guidelines to the air logistics centers, to require compliance with the current AFLC Regulation 57-4.

Status: Action not yet initiated. The Department of Defense (DOD) response under 31 U.S.C. 720 has not been received. Therefore, GAO does not know what, if any, action will be taken.

The Secretary of the Air Force should direct the Commander, AFLC, to review the five air logistics centers' in-process recoverable spares purchases and: (1) identify those initiated earlier than necessary; (2) cancel or defer premature purchase requests so that the material will be received when the recoverable-

consumption item requirements computation system indicates it will be needed; (3) defer, if economically feasible, delivery of material on contract, to preclude its being received before it is needed; and (4) report the extent and value of these cancellations and deferrals to him for consideration in compiling future budget requests.

Status: Action not yet initiated. The DOD response under 31 U.S.C. 720 has not been received. Therefore, GAO does not know what, if any, action will be taken.

The Secretary of the Air Force should ensure that future requests for appropriations reflect the deferral or avoidance of outlays that will result from discontinuing the present early procurement practice.

Status: Action not yet initiated. The DOD response under 31 U.S.C. 720 has not been received. Therefore, GAO does not know what, if any, action will be taken.

Department of Defense - Military (Except Procurement and Contracting)

Army's Maneuver Control System Acquisition Plan Is Not Cost-Effective

IMTEC-86-26BR, 09/03/86

Background

In response to a congressional request, GAO reviewed the Army Command and Control System (ACCS) program and analyzed its computer equipment procurement and distribution plan for the Maneuver Control System (MCS), specifically: (1) the status of the MCS program; and (2) the plan's compliance with congressional guidance and its cost-effectiveness.

Findings

GAO found that the Army's plan for the MCS program does not comply with congressional guidance because it: (1) provides for equipping 17 active divisions, rather than 11, with militarized equipment; (2) calls for completing acquisition of ruggedized equipment in fiscal year (FY) 1988 instead of FY 1987; and (3) does not establish an aggressive test and evaluation program. GAO also found that the Army: (1) overstates costs for interim MCS equipment; (2) plans to replace the interim equipment soon after its deployment, which is not cost-effective; (3) expects to field interim MCS equipment to its

active forces during FY 1988 and 1989 and to replace it with new equipment from FY 1990 through FY 1995; and (4) has not developed a final schedule for replacing interim equipment.

Open Recommendations to Agencies

The Secretary of the Army, before acquiring additional MCS equipment, should demonstrate to Congress that such interim acquisitions are cost-effective and consistent with the Army's objective to provide common computer equipment and software for primary tactical command and control systems in both reserve and active forces. The Army should address: (1) the cost-effectiveness of the \$223.6 million expenditure on interim MCS equipment, particularly given the possibility that the Army can field ruggedized ACCS equipment for MCS shortly after fielding the interim equipment under planned or accelerated schedules; (2) its need for the interim equipment in view of the differences in processing

and survivability capabilities between this equipment and the replacement ACCS equipment; and (3) the cost-effectiveness of fielding different versions of MCS and its inconsistency with the Army's objective to provide such equipment and software for primary tactical command and control systems.

Status: Action in process. Estimated completion date: 02/87. Congress directed that FY 1987 appropriations not be used until the Army provides a report that rationalizes equipment procurements under MCS and ACCS programs.

If the Army's critical needs prove to be so urgent that the fielding of MCS cannot be delayed until ACCS equipment is available, the Secretary of the Army should acquire only interim militarized equipment in the quantities specified in its plan. On the basis of Army assessments, the equipment should be capable of supporting all critical maneuver control functions until ACCS equipment is available.

Status: Action not yet initiated. DOD has not responded to the report. Congress directed that FY 1987 appropriations not be used until the Army provides a report that rationalizes equipment procurements under MCS and ACCS programs.

If acquisition of such interim equipment is warranted, the Secretary of the Army should successfully complete an operational test of the production system, both computer equipment and software, before making a full production commitment.

Status: Action not yet initiated. DOD has not responded to the report. HAC/SAC directed that FY 1987 appropriations not be used until the Army provides a report that rationalizes equipment procurements under MCS and ACCS programs.

Department of Defense - Procurement and Contracts

Contract Pricing in the Meals-Ready-To-Eat Program

NSIAD-83-29, 08/08/83

Background

GAO examined the pricing of a contract for the assembly of individual combat meal packages awarded by the Defense Personnel Support Center (DPSC).

Findings

The contract was the first in a series of contracts awarded to the same firm for the assembly of the meal packages, called Meals-Ready-To-Eat (MRE). GAO found evidence that DPSC did not follow sound procurement practices in negotiating the contract. For example, it awarded a fixed-price contract even though the contractor was a newly formed division with no production history. DPSC deviated from the government's usual practice by agreeing to directly reimburse the contractor for leasehold improvements to a production facility, and it did not try to increase competition for the program by telling other contractors in the request

for proposals that it was willing to directly reimburse for investments in facilities. In addition, DPSC did not follow all of the requirements of the Defense Acquisition Regulations (DAR) in preparing memorandum records of negotiations; the memoranda did not adequately demonstrate the reasonableness of the negotiated prices, the appropriateness of demands and concessions made in negotiations, or the extent to which the government's interests were protected. DPSC obtained a waiver from following the weighted profit guidelines, but the data supporting the basis for the waiver were incomplete. GAO believes that these poor procurement practices, coupled with audit data that should have been considered, led to acceptance of significantly overstated costs, an allowance of greater profit rate than permitted by the weighted guidelines, and direct payment to the contractor for leasehold improvements to an assembly building.

Open Recommendations to Agencies

The Director, Defense Logistics Agency (DLA), should direct DPSC to determine the extent to which the government is entitled to a price adjustment on this contract.

Status: Action in process. Estimated completion date: 12/86. Thus far, DLA collected \$77,272 from the contractor applicable to the first contract, MRE-I. An additional \$466,891 is being sought through negotiations on MRE-I, and some \$2,580,038 on MRE-II. The target for completion of negotiations was September 15, 1986; however, negotiations are still incomplete.

 Department of Defense - Procurement and Contracts

The Navy Can Increase Cancellations of Procurements for Unneeded Material

 NSIAD-85-55, 03/22/85

Background

GAO reviewed the Navy's procedures and practices for cancelling procurements of unneeded material to determine the controls established by the Naval Supply Systems Command for monitoring and evaluating the performance of the inventory control points.

Findings

The review indicated that the number of procurement cancellations can be increased, thereby reducing unnecessary procurement and inventory investment costs. An examination of cancellations for May 1983, the most current month available at the start of the review, showed that potentially excess procurements identified by the inventory control points totalled \$293 million. GAO tests of possible termination actions for that month showed that less than 1 percent was actually cancelled. GAO found that cancellations are not

higher because: (1) the inventory control points have established high dollar review thresholds; (2) the inventory control points apply protection levels to provide an added buffer against running out of stock; (3) inventory managers do not always act on cancellation notices in a timely manner; and (4) management and supervisory attention over the cancellation process is limited.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, Naval Supply Systems Command (NAVSUP), to reconsider the reasonableness of the termination review threshold amounts and base the threshold amounts on a comparison of the administrative cost of cancelling procurements with the money to be saved by not purchasing unneeded material.

Status: Action in process. Estimated completion date: 12/86. The Ships Parts Control Center (SPCC) is waiting for NAVSUP approval of the recommended review threshold values. The recommended review values are \$1,450 for purchase requests and \$7,700 for contracts.

The Secretary of the Navy should direct the Commander, NAVSUP, to require that inventory managers review termination notices in a timely and objective manner and give consideration to making this requirement part of the inventory managers' performance evaluation.

Status: Action in process. Estimated completion date: 12/86. SPCC is developing a program to register completed termination recommendations and to mechanically identify open, overage recommendations for follow-up action. Formalized output programs are being developed so that inquiries can be made.

 Department of Defense - Procurement and Contracts

The Military Services Sole-Source Procurement of C-12 Aircraft

 NSIAD-85-80, 05/15/85

Background

In response to a congressional request, GAO reviewed the acquisition strategy for C-12 aircraft which have been procured on a sole-source basis.

Findings

GAO found that the Army, in making the sole-source procurements, has complied with recurring congressional guidance to acquire a single, common-utility, transport aircraft. After a competitive solicitation was cancelled when only one bidder submitted a propos-

al, a sole-source contract was negotiated with the offerer. In response to a bid protest, GAO found that the cancellation and sole-source award were in accordance with procurement regulations, and GAO review of subsequent solicitations found no violations of procurement regulations. However,

GAO found that some of the guidelines which Congress set for standardized and consolidated purchases of the aircraft were contrary to the requirements of the Competition in Contracting Act. Furthermore, GAO found that a cost-benefit analysis had not been performed since the initial sole-source award; therefore, the continued use of standardization to justify sole-source procurements was not adequately supported. In addition, GAO found that adequate contractor logistics support could be achieved through a consolidated competitive procurement that included full contractor-provided main-

tenance and logistics support. Finally, GAO found: (1) indications of potential price savings which could result from competition; and (2) that changes in performance requirements and the aircraft raised questions regarding standardization as a basis for continued sole-source procurements.

Open Recommendations to Agencies

The Secretary of Defense, after validating future requirements for C-12

type aircraft, should direct that future procurements be competed unless it can be clearly shown that continuing the present sole-source acquisition strategy is warranted under the provisions of the 1984 Competition in Contracting Act.

Status: Action in process. Estimated completion date: 12/86. A study on the need for C-12 type aircraft was to be completed in December 1986.

Department of Defense - Procurement and Contracts

Acquisition of Navy Land-Based Test Sites Can Be Better Managed

NSIAD-85-76, 05/21/85

Background

The Navy has many resources for providing research, development, test, evaluation, training, and operational support for weapons systems, part of which are land-based test sites. GAO discussed the improvements needed in the acquisition management of land-based test sites to ensure that: (1) maximum use is made of existing facilities; (2) duplication between existing and new sites is prevented; and (3) the establishment of new sites is cost-effective.

was identified or if there were alternatives; and (4) there is no requisite for making the establishment of new sites cost-effective. The Navy, therefore, is not ensured that the sites it purchases are the most cost-effective alternatives and are not duplicating existing facilities. While the Navy has taken steps to change regulations and recordkeeping activities, GAO believes that more could be done.

Open Recommendations to Agencies

The Secretary of the Navy should direct that the Naval Material Command (NAVMAT) Instruction clearly state: (1) which programs and sites are subject to its requirements; and (2) that the sites selected be evaluated on the basis of cost-effectiveness and needed capability.

Status: Action in process. Estimated completion date: 02/87. Subsequent to the disestablishment of NAVMAT, NAVMAT Instruction 3960.8 was can-

celled. The Chief of Naval Operations will issue 3960.10C and the system commands are finalizing implementing instructions.

The Secretary of the Navy should direct that the Chief of Naval Operations Instruction or the NAVMAT Instruction be revised so that the Instructions agree on the responsibility for identifying the need for land-based test sites. Currently, the NAVMAT Instruction assigns this responsibility to the program manager whereas the Naval Operations Instruction makes the Chief responsible.

Status: Action in process. Estimated completion date: 02/87. The system commands are finalizing instructions implementing OPNAV Instruction 3960.10.

The Secretary of the Navy should direct that the NAVMAT requirement that systems commands maintain complete and up-to-date inventories of in-house and contractor test sites be enforced to aid in making acquisition decisions,

Findings

GAO found that: (1) the Navy does not adequately demonstrate the need for new facilities prior to purchase which results in noncompliance with the requirements for approving and reviewing the acquisition of new sites; (2) neither the Navy nor the systems commands maintain complete inventories of available test sites which results in duplication; (3) most of the acquisition programs have no documentation to show how the need for the site

and that the Chief of Naval Operations establish a central Navy-wide inventory of test and evaluation facilities.

Status: Action in process. Estimated completion date: 02/87. A catalog showing test sites, codes, telephone numbers, and focal points was prepared. Instructions requiring and detailing the periodic updating of the catalog were also prepared.

The Secretary of the Navy should direct the program managers to consider alter-

natives in selecting sites and include their rationale in the planning documents.

Status: Action in process. Estimated completion date: 02/87. The system commands are finalizing implementing instructions.

The Secretary of the Navy should direct that the Chief of Naval Operations and NAVMAT program review and

approval process include evaluation techniques that consider the cost-effectiveness of sites selected, the availability of existing facilities, and the extent of duplication between existing and proposed sites.

Status: Action in process. Estimated completion date: 02/87. The system commands are finalizing implementing instructions.

Department of Defense - Procurement and Contracts

Navy Should Join the Air Force and Army Program To Develop an Advanced Integrated Avionics System

NSIAD-85-94, 06/17/85

Background

GAO reviewed Army, Navy, and Air Force integrated communication, navigation, and identification avionics (ICNIA) development programs to: (1) identify existing and future examples of integrated avionics systems and their expected costs and benefits; (2) determine whether existing integration programs are adequately emphasizing long-term efforts that will benefit future generations of military aircraft; and (3) determine whether existing development programs in the services should be merged.

Findings

GAO found that the Air Force and the Army are jointly developing ICNIA technology. While the Navy recognizes the need for ICNIA technology for its future generations of aircraft, it has not joined the joint development effort because no funds are available,

since no Navy aircraft program has specified a requirement for ICNIA technology, and it is concerned that it could become committed to specific hardware configurations before it can determine its specific requirements. GAO also found that ICNIA technology could: (1) reduce the size, weight, and cost of existing single-function avionics systems by up to 50 percent; (2) provide design flexibility to meet changing threats; (3) if standardized, decrease support costs significantly; and (4) enable aircraft to continue missions in the event that individual system components fail. GAO believes that: (1) the incremental cost to the Department of Defense of the Navy's participation in the joint effort would be low compared to the cost of a separate Navy program; (2) the Navy could fund its participation in the joint effort by using research and development funds; and (3) joint development is more likely to succeed if the Navy participates in the early stages of the program.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Navy to join the ICNIA technology demonstration. This action would give each of the services a voice in advancing state of the art avionics technology and in developing a standard communication, navigation, and avionics system at minimum combined cost for the three services.

Status: Action in process. Estimated completion date: 12/86. The Navy Program Office indicated that money will be in the fiscal year (FY) 1987 budget for ICNIA and, after the exact amount appropriated is published in late October 1986, a Program Directive Memorandum will be drawn up, probably in late 1986.

Department of Defense - Procurement and Contracts

Leased Military Housing Costs in Europe Can Be Reduced by Improving Acquisition Practices and Using Purchase Contracts

NSIAD-85-113, 07/24/85

Background

GAO reviewed the weaknesses and inconsistencies in the Department of Defense's (DOD) lease acquisition practices for family housing in Europe and actions to improve these practices.

Findings

GAO noted that the shortage of adequate local housing with acceptable DOD standards of construction has required DOD to provide much of the needed housing through leasing construction agreements. GAO found that: (1) the military services' major commands responsible for leasing housing in Europe have developed different procurement procedures and practices for awarding and administering leases; (2) practices in awarding leases were inconsistent with those applying to supplies and services established to ensure the United States obtains the best contract agreements at a reasonable cost; and (3) the services have different interpretations of congressional reporting requirements for lease agreements. GAO noted alternatives for reducing long-term lease costs, including: (1) the inclusion of buy-out provisions providing the United States the opportunity to buy the housing during or at the end of the lease period; (2) granting the services legislative authority to enter into purchase contract arrangements for foreign family housing; and (3) agreements with contractors for the construction and financing of family housing requiring installment payments for interest and amortization of the project's costs and profit. GAO found that congressional actions have been taken to: (1) direct that economic analyses be made to evaluate the comparative cost of new lease proposals with other alternatives for furnishing needed housing;

(2) instruct that buy-out provisions be included in all new leasing construction agreements; and (3) increase appropriation of military construction funds.

Open Recommendations to Agencies

To ensure that the military services follow consistent leasing procedures and practices and comply with congressional committee lease acquisition reporting requirements, the Secretary of Defense should direct the services to jointly develop and issue guidance on uniform policies and procedures for acquiring foreign leased family housing and for complying with the congressional committee reporting requirements for lease awards. This guidance should: (1) be consistent with those acquisition principles for advertising, evaluating, and negotiating contained in DOD regulations for other types of procurement; (2) require the services to provide, in leases having escalation of net rental clauses, that rental payments will not exceed the amount of appropriations available at the time payments are due or the statutory limit established for such year under 10 U.S.C. 2828(e), and that nothing in the lease can be considered as implying Congress would, at a later date, appropriate sufficient funds to meet deficiencies; and (3) include congressional committee reporting requirements for lease awards on groups of leases with the same lessor and renewals of existing leases.

Status: Action in process. Estimated completion date: 12/86. DOD concurred with this recommendation and stated that the services would be directed to develop a tri-service manual containing

the guidance recommended by GAO. Development of the manual is still ongoing and is not expected to be completed until at least February 1987.

To resolve the military services' concerns over the legal propriety of buy-out provisions, the Secretary of Defense should evaluate and propose legislation to Congress on the type of buy-out provisions that should be permitted in foreign leases.

Status: Action in process. Estimated completion date: 06/87. DOD concurred with this recommendation and stated that legislation would be prepared for consideration for fiscal year (FY) 1987. Implementation slipped 1 year; however, legislation is expected to be included in the FY 1988 draft military construction bill.

The Secretary of Defense should require the services to obtain assurances from host-country governments that the United States would be able to exercise the buy-out provisions.

Status: Action in process. Estimated completion date: 06/87. DOD concurred with this recommendation. The legal requirement that services obtain host-country assurances will be included in the FY 1988 draft military construction bill.

To provide the military services with another alternative method of acquiring needed housing in Europe, the Secretary of Defense should propose to Congress specific legislation granting the military services authority to use purchase contracting, when appropriate.

Status: Action in process. Estimated completion date: 06/87. DOD concurred with this recommendation and stated that legislation would be prepared for consideration for FY 1987. Draft legislation was submitted to Congress, but it has not been enacted.

If purchase contracting authority is granted by Congress, the Secretary of Defense should require the military services to: (1) prepare economic analyses comparing the costs of purchase contract arrangements with other alternatives; and (2) seek host-country governments' support before entering into purchase contracts.

Status: Action in process. Estimated completion date: 06/87. DOD concurred with this recommendation. Final implementation is contingent upon Congress enacting legislation authorizing the use of purchase contracting. Authorizing legislation has not been enacted and is not expected before fiscal year 1988.

Department of Defense - Procurement and Contracts

Consolidating Procurements of Medical Equipment Could Save Money

NSIAD-85-125, 08/27/85

Background

GAO conducted a review to determine whether medical equipment purchased locally by Department of Defense (DOD) and Veterans Administration (VA) medical facilities could have been more efficiently and economically procured in large quantities through consolidated procurement.

Findings

GAO found that: (1) DOD and VA facilities buy about 75 percent and 51 percent, respectively, of the value of their equipment requirements locally and procure the rest centrally; (2) DOD could have obtained price savings averaging 11 to 15 percent by centrally procuring certain items; (3) DOD achieved some savings by using indefinite delivery type contracts to centrally procure some medical equipment; and (4) it could not determine whether VA might have achieved savings through consolidated procurement because of a lack of VA centralized procurement data. DOD and VA officials mentioned several factors that could limit the number of medical items that could be centrally procured, including: (1) physicians' preferences for certain brands of equipment; (2) the need for compatibility with existing equipment; (3) equipment maintenance by

vendors; and (4) procurement timeliness. However, GAO found that: (1) while such problems might limit the centralized procurement of some items, they should not prevent DOD and VA from identifying additional equipment that could be procured centrally more economically; (2) even where purchases of different equipment are judged to be appropriate, cost savings could still be achieved through consolidated procurement; and (3) while some delays might occur initially because of the time involved in awarding centralized contracts, close coordination between services and procuring activities should minimize delays. GAO noted that DOD is implementing a plan to increase the consolidated procurement of medical equipment.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should: (1) develop procedures for systematically aggregating and analyzing data on medical equipment procured repetitively on a local basis by VA medical facilities; and (2) take steps to consolidate purchases of those equipment items when there is a reasonable basis to conclude that they would be more efficiently procured centrally

using either definite quantity/definite delivery contracts or indefinite-type delivery contracts awarded competitively whenever possible and to single suppliers of an item whenever appropriate.

Status: Action in process. VA is discussing with DOD which medical equipment items should be procured jointly, through a subcommittee of the Interagency Procurement Management Committee. VA is still considering what additional steps will be needed to implement the recommendations.

The Secretary of Defense should ensure that the DOD plan as described in its report, "Centralized/Consolidated Medical Equipment Procurement," is properly carried out.

Status: Action in process. DOD is monitoring implementation of its plan to accomplish the recommended action. The DOD CENPROME program is underway in a test phase and is expected to be completed during the next year.

The Secretary of Defense and the Administrator of Veterans Affairs should give maximum consideration to identifying items for consolidated

procurement from available records. Implementing a more comprehensive system based on the needs of the agencies and the medical facilities and the cost versus the benefits attainable through centralized procurements.

Status: Action in process. VA agreed with this recommendation. In addition to actions being taken jointly with DOD, VA stated that it is developing and implementing policies for consolidating its medical equipment purchases.

Target: Veterans Administration

Status: Action in process. DOD agreed and stated that, if a more comprehensive interim system is considered, a cost-benefit analysis would be

done to ensure that costs do not outweigh expected savings. DOD OASD (HA) is monitoring the progress of the test described in its plan via required reports from meetings with the central contracting activity (DPSC).

Target: Department of Defense

The Secretary of Defense and the Administrator of Veterans Affairs should consider beginning a program, similar to the program established for drugs and medical supplies, to share procurement of those common medical equipment items which can be procured more efficiently on this basis.

Status: Action in process. The DOD/VA Interagency Procurement

Management Committee: (1) agreed to add medical equipment items to the list of items procured jointly; and (2) established a subcommittee to select the items and carry out this recommendation.

Target: Veterans Administration

Status: Action in process. The DOD/VA Interagency Procurement Management Committee: (1) agreed to add medical equipment items to the list of items procured jointly; and (2) established a subcommittee to select the items and carry out this recommendation.

Target: Department of Defense

Department of Defense - Procurement and Contracts

DOD's Industrial Modernization Incentives Program: An Evolving Program Needing Policy and Management Improvement

NSIAD-85-131, 09/06/85

Background

GAO reviewed the adequacy of the Department of Defense's (DOD) Industrial Modernization Incentives Program (IMIP) test and resulting draft guidance. Through IMIP, DOD provides contractors incentives to invest in capital equipment and manufacturing processes in order to lower costs of weapons systems and improve the industrial base. The Deputy Secretary of Defense established a steering group to direct and monitor a test of IMIP and develop program policy and guidance based on an assessment of the services' experience.

Findings

GAO found that: (1) although IMIP has demonstrated the potential for reducing

acquisition costs and providing other benefits, visibility and accountability will continue to be hampered unless there is a uniform system for reporting actual and projected benefits and guidance is developed to incorporate projected benefits into budget and cost estimates; (2) although the steering group developed draft policy guidance which adequately discussed management issues, additional clarification of the impact, results, and intent of various options will help to ensure that IMIP achieves the maximum benefit for the least cost; and (3) the development of programming and planning structures for identifying areas in the industrial base where problems may arise in meeting future defense requirements needs further development to ensure that IMIP achieves the maximum benefit for DOD.

Open Recommendations to Agencies

The Secretary of Defense should establish an IMIP reporting system that, at a minimum, collects data in both discounted and then-year dollars on gross benefits and government costs.

Status: Action in process. Changes were made in draft documents.

The Secretary of Defense should develop guidance specifying how and when IMIP benefit projections should be included in weapon system program cost estimates and budgets.

Status: Action in process. Changes were made in draft documents.

The Secretary of Defense should review the IMIP planning and programming process in each service to ensure that

the processes contain adequate structure to ensure IMIP efforts are directed toward those areas with the greatest potential benefits.

Status: Action in process. Annual service status reports, development of defense guidance, and greater industrial analysis are planned.

Department of Defense - Procurement and Contracts

Incident at Clear Air Force Station, Alaska

NSIAD-86-9, 11/07/85

Background

Pursuant to a congressional request, GAO investigated the conduct of the Air Force and its contractor in responding to the 1983 radiation accident at Clear Air Station, Alaska, to determine whether: (1) the contractor fulfilled all the required services in compliance with the terms of the contract; (2) Air Force actions in administering the contract were beyond reproach; and (3) affected employees have been afforded the best available medical evaluation, treatment, and follow-up entitled to them under law.

Findings

GAO noted that, according to Air Force and contractor investigation reports, the accident occurred because of the inadvertent actions of a contractor technician. Upon investigation, GAO found that: (1) the technician's action resulted in the workers' exposure to radiation because the equipment was not laid out and operated as required by the contract; (2) contractor noncompliance with contract specifications and problems in contract management practices allowed the accident to go undetected for 8 minutes; (3) there was some delay in providing medical services to the victims immediately following the accident; and (4) the contractor reduced staffing in key control rooms below the minimum manning requirement. GAO also found that: (1) maintenance technicians on duty were not fully qualified to perform in their assigned positions; (2) the quality assurance evaluators (QAE)

monitoring the contract were neither technically trained in radar operation, nor did they have prior experience in procurement procedures or contract administration; and (3) although there was some delay in providing medical evaluations to the victims in the 24 hours following the accident, the victims have received extensive medical evaluations since the accident.

Open Recommendations to Agencies

The Secretary of the Air Force should direct the Commander of the Space Command to conform the safety system interlocks to specifications and follow all technical order procedures for entering and exiting the radome.

Status: Action in process. An ad hoc Air Force review team identified all major deficiencies with the safety interlock system and submitted a plan for remedial action to Alaska. The state denied the proposal and reinstated the terms and conditions of the original settlement agreement with the contractor. The Air Force is in the process of implementing the settlement agreement.

The Secretary of the Air Force should direct the Commander of the Space Command to change the waveguide layout, wiring, and automatic switching functions to properly align prime transmitters with corresponding radars.

Status: Action taken not fully responsive. Proposed circuit changes, included in the Air Force's response, would not correct the anomalous automatic switching function, which permitted the accident to occur. DOD will correct the system so that the waveguide and monitoring/control circuitry are compatible.

The Secretary of the Air Force should direct the Commander of the Space Command to require the contractor to comply with minimum manning requirements in monitoring and control rooms, in accordance with the statement of work.

Status: Action in process. The Commander is requiring the contractor to comply with minimum manning requirements in the monitoring and control rooms. The statement of work was revised on April 20, 1984, and a corresponding QAE checklist revision was published on August 15, 1984. On-site QAE are closely monitoring manning requirements to ensure contractor compliance.

The Secretary of the Air Force should direct the Commander of the Space Command to review the contractor's technician assignment practices to ensure that technicians are fully trained and qualified in the monitoring and control rooms they are assigned to.

Status: Action in process. The Space Command is monitoring qualifications by reviewing personnel resumes to ensure compliance.

operation and maintenance of communication and electronic equipment.

Status: Action in process. The Space Command is reviewing QAE training programs to improve the QAE knowledge and understanding of both contractual and technical operations.

The Secretary of the Air Force should conduct a survey of technical order compliance and safety procedures at other radar installations to determine

if similar problems may exist. If non-compliance with technical orders or other problems are identified, corrective actions should be taken.

Status: Action in process. Estimated completion date: 09/87. The Space Command will comply by doing evaluations at the two primary types of radar sites, pulsed and nonpulsed, and has identified 10 sites to be included in the review.

The Secretary of the Air Force should direct the Commander of the Space Command to ensure that only trained QAE, fully qualified in evaluating contractor compliance with technical specifications are assigned, especially in highly technical areas such as the

Department of Defense - Procurement and Contracts

Contract Audits: DCAA Needs To Increase Its Management Oversight of Planning Operations

NSIAD-86-6, 02/14/86

Background

In response to congressional requests, GAO reviewed Defense Contract Audit Agency (DCAA) operations, specifically: (1) DCAA effectiveness in planning and implementing its audit work and managing its resources; and (2) the usefulness of DCAA reports.

the way DCAA field audit offices implement the planning system, specifically: (1) nonperformance of vulnerability assessments of the government's potential exposure to fraud, waste, and error; (2) incomplete and outdated permanent files providing basic information on contractors' operations, internal controls, and auditable areas; (3) no uniform basis for applying a DCAA procedure designed to identify auditable areas having the greatest potential for charging unacceptable costs to the government; and (4) failure to use the dollar value recorded as work backlog in determining resource needs. GAO further found that DCAA customers were most satisfied with the accuracy, usefulness, and ease of understanding of the reports and least satisfied with the reports' timeliness.

that field audit offices adhere to the planning system to provide information which is reliable for approving work plans and managing resources by: (1) reemphasizing to all field offices the importance of adhering to agency planning system requirements; (2) ensuring that the results of the agency's peer review function are acted upon; and (3) relying more heavily on the planning system as a basis for resource management.

Findings

DCAA audits Department of Defense (DOD) contracts and provides accounting and financial advice on proposed and existing contracts to DOD procurement and contract administration personnel. In a high percentage of audit reports that GAO reviewed, DOD used DCAA audit work in establishing the government's negotiating position or in administering existing government contracts. GAO found that inconsistent adherence to the DCAA planning system resulted in lack of effective DOD identification of its resources and needs. GAO also found differences in

Open Recommendations to Agencies

The Secretary of Defense should instruct the Director, DCAA, to ensure

Status: Action in process. DCAA Planning Process Review Committee is developing an integrated audit management system which includes a refined requirements planning process. This system should improve the reliability of data on resource allocation and management control. DCAA has completed action on part two to ensure that the results of its internal review function are acted upon.

 Department of Defense - Procurement and Contracts

DOD Should Redirect Its Efforts To Automate Technical Data Repositories

 IMTEC-86-7, 03/13/86

Background

Pursuant to a congressional request, GAO reviewed: (1) certain aspects of the Department of Defense's (DOD) technical data repository automation efforts; and (2) how technology sharing between DOD and the Patent and Trademark Office (PTO) relates to these automation efforts.

Findings

GAO found that: (1) the five DOD efforts have resulted in duplicative and nonstandard approaches to automating data repositories; (2) although the military departments each developed one or more economic analyses for technical data automation, these analyses were incomplete, outdated, or contained invalid assumptions; (3) the Army and Navy did not obtain the required procurement authority to buy computer hardware and software for automating their repositories; (4) although DOD and PTO have similar needs for storing large amounts of data, they did not consider joint studies or testing, which might have eliminated a duplication of effort; and (5) separate military efforts present high risks in achieving standardization and interoperability of technical data repositories. GAO also found that: (1) DOD did not use a centralized approach to planning, coordinating, and reviewing budgets to ensure effective and efficient automation of the technical data repositories; (2) DOD implemented a management strategy for achieving repository interoperability, but the strategy did not include the necessary oversight control; and (3) although DOD has provided general direction to defense agencies on standardizing repository automation, the services have not adequately implemented specific policies and, therefore,

military departments have individually implemented nonstandard approaches in automating technical data repositories.

Open Recommendations to Congress

Congress should delay any further funding of the technical data repository automation efforts until it receives the DOD evaluation. After reviewing the evaluation and determining appropriate funding levels, Congress should ensure that these funds are restricted to the centrally directed effort.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary of Defense for Acquisition and Logistics, in conjunction with the Assistant Secretary of Defense (Comptroller), to expeditiously evaluate the appropriateness of continuing any or all of the current technical data repository automation efforts, considering the Secretary's goal of standardization and interoperability.

Status: Action in process. DOD has responded to the report. Meetings with GAO to discuss the report recommendations are scheduled for December 1986. Some actions were taken to consolidate projects.

The Secretary of Defense should direct the Assistant Secretary of Defense

for Acquisition and Logistics to designate oversight responsibility to a central office within the Office of the Secretary of Defense (OSD) to manage and control any continuing efforts to automate military department and Defense Logistics Agency (DLA) repositories. This central office should have planning, coordination, budget review, and approval authority over the remaining military department and DLA repository automation efforts and should obtain delegations of procurement authority from the General Services Administration, as required by law.

Status: Action in process. DOD has responded to the report. Meetings with GAO to discuss the report recommendations are scheduled for December 1986. Some actions were taken to consolidate projects.

The Secretary of Defense should direct the Assistant Secretary of Defense for Acquisition and Logistics to require the responsible office within OSD to identify and consolidate military department and DLA requirements for the automation of the technical data repositories and develop a related DOD-wide economic analysis. These efforts should be performed regardless of the approach chosen as a result of the Secretary's evaluation and congressional actions and should be conducted in accordance with the requirements of the Mission Analysis/Project Initiation phase of the Automated Information System Life Cycle.

Status: Action in process. DOD has responded to the report. Meetings with GAO to discuss the report recommendations are scheduled for December 1986.

Some actions were taken to consolidate projects.

The Secretary of Defense should direct the Assistant Secretary of Defense (Comptroller) to conduct a Major Automated Information Systems Approval Process review for the automation of DOD technical data repositories. This review, at a minimum, should include the life-cycle management documentation and decision papers prepared for the automation of all DOD repositories.

Status: Action in process. DOD has responded to the report. Comptroller representatives are performing in-process reviews of projects and Comptroller coordination for future action.

The Secretary of Defense and the Commissioner, PTO, should direct the Assistant Secretary of Defense for Acquisition and Logistics and the Administrator, PTO, for automatic data processing, to formally coordinate and, when appropriate, perform joint stud-

ies, including testing, of optical-disk storage devices.

Status: Action in process. Commerce is taking action, but DOD had not responded as of December 1986.

Target: Department of Defense

Status: Action in process. Commerce is coordinating plans with various DOD agencies.

Target: Department of Commerce: Patent and Trademark Office

Department of Defense - Procurement and Contracts

Technical Risk Assessment: The Status of Current DOD Efforts

PEMD-86-5, 04/03/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) procedures and practices for risk assessment in connection with major weapons systems procurement. GAO reviewed 25 program offices responsible for conducting risk assessments.

Findings

GAO found that, while DOD has identified a number of risk assessment approaches: (1) it has not specifically defined technical risk; (2) it has insufficient policy and training to guide program managers in assessing technical risks; (3) the program offices have developed inconsistent and sometimes contradictory approaches to risk assessment; and (4) none of the program offices have conducted a quantitative risk assessment to support budgeting for risk. Since DOD has developed no standards for risk assessments, GAO developed risk assessment criteria and found that: (1) only three offices' risk assessment efforts met the criteria; and

(2) most program offices did not implement their efforts so as to achieve the most accurate and useful results. In addition, GAO found that: (1) program offices did not always convey technical risk information to decisionmakers; (2) some program staff were unaware of risk assessment efforts or lacked information on assessment procedures and results; (3) contractors did not often properly document their technical risk assessment data; and (4) it cannot make any meaningful studies of the accuracy or effects of individual assessments until DOD improves its assessment processes.

Open Recommendations to Agencies

To improve technical risk assessment concepts and procedures, the Secretary of Defense should define technical risk and categories for rating risk.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assess-

ment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

To improve technical risk assessment concepts and procedures, the Secretary of Defense should require that risk efforts focus explicitly on technical risk and be prospective, planned, and repeated at least twice, early and late, in each acquisition phase.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

To improve technical risk assessment concepts and procedures, the Secretary of Defense should require program management offices to document their risk assessment procedures and results.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assess-

ment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

To improve technical risk assessment concepts and procedures, the Secretary of Defense should establish guidelines regarding options for format for rating risks, scope, data collection, and assessment approaches.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its

training in technical risk assessment; and (3) a review of relevant regulations.

To improve technical risk assessment concepts and procedures, the Secretary of Defense should require that technical risk information that program offices or contractors require for review includes a description of format, scope, data collection, sources of risk information, and assessment approaches.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its

training in technical risk assessment; and (3) a review of relevant regulations.

To improve technical risk assessment concepts and procedures, the Secretary of Defense should provide more focused training in technical risk assessment.

Status: Action in process. Estimated completion date: 12/86. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Department of Defense - Procurement and Contracts

Procurement: The Use of Unpriced Options and Other Practices Needs Revision

NSIAD-86-59, 04/23/86

Background

GAO reviewed the contracting practices that the military services use to award, extend, and renew large multi-function or umbrella contracts for base support services to determine whether: (1) the practices used to extend or review umbrella contracts comply with procurement regulations; and (2) the effectiveness of competition is being restricted by excluding umbrella contract extension or renewal periods from the evaluations for initial contract awards.

Findings

GAO found that the military services' use of extensions or renewals for umbrella contracts sometimes does not meet regulatory requirements. In a number of cases, unpriced options were exercised and follow-on contracts were awarded. Although such awards were noncompetitive contracts, contracting officers did not justify their use in writing, as required. As a result, the important benefits that competition is intended to achieve, such as equal

opportunity for all to compete, assurance that prices are reasonable, or the increased incentive for improved quality or delivery, were foregone without justification. In addition, GAO found that, in some cases, the military services also restricted the effectiveness of competition obtained on initial awards, because they excluded the cost of option or follow-on years from consideration when the initial contracts, thereby lessening the assurance that the government would receive a fair and reasonable price over the life of the contracting cycle.

Open Recommendations to Agencies

To eliminate misconceptions relating to the need to price contract options and to help ensure that future option provisions are priced, the Secretary of Defense should take actions to have the Federal Acquisition Regulation (FAR) amended to clearly require that all contract options currently covered by

procurement regulations be priced at the time the initial or underlying contract is awarded.

Status: Action in process. Defense Acquisition Regulatory Council (DARC) Case 86-42 was established to implement this recommendation. The estimated completion date is unknown, but the proposed rule has been published for comment.

The Secretary of Defense should take actions needed to ensure that, for contracts currently containing unpriced and unexercised options, written non-competitive justifications have been properly supported and approved before the unpriced options are exercised.

Status: Action in process. DARC Case 86-42 was established to implement this recommendation. The estimated completion date is unknown, but the proposed rule has been published for comment. The responsible Department of Defense (DOD) Assistant Secretary sent a memorandum to the heads of military

departments and defense agencies on January 31, 1986, instructing them to comply with this recommendation.

The Secretary of Defense should take action to have FAR 17.206 or the related provisions of the DOD FAR supplement amended to require that, regardless of the type of contract used, all options which are likely to be exer-

cised to extend any service contract be evaluated as part of the initial award, unless the contracting officer justifies in writing and receives higher level approval that not evaluating the options is more advantageous to the government. If the contracting officer has a reasonable basis for determining that the option is not likely to be exercised, then evaluating it should not normal-

ly be considered more advantageous to the government.

Status: Action in process. DARC Case 86-42 was established to implement this recommendation. The estimated completion date is unknown but the proposed rule has been published for comment.

Department of Defense - Procurement and Contracts

Material Prices Overstated on the Amphibious Assault Vehicle Contract

NSIAD-86-123, 05/16/86

Background

GAO reviewed subcontract pricing on the Navy's 1984 option buy of amphibious assault vehicles to determine if the contractor complied with contract pricing laws in providing accurate, complete, and current pricing data in its prime contract.

Findings

GAO found that the contractor: (1) overstated the proposed prices it gave the Navy for two of its eight subcontracted items; (2) in one case, received lower quotations but did not disclose them to the Navy and did not base the contract price on the lowest quotation; and (3) in the second case, acknowledged a lower available price and proposed a contract price reduction but had not begun negotiations for the reduction.

Open Recommendations to Agencies

The Commander, Naval Sea Systems Command, should initiate action to obtain recovery of funds from the contractor.

Status: Action not yet initiated. The Department of Defense is awaiting contractor comments on the GAO report before initiating recovery action.

Department of Defense - Procurement and Contracts

Defense Should Further Reduce the Amount It Furnishes to Contractors

NSIAD-86-109, 06/19/86

Background

GAO studied the progress the Department of Defense (DOD) has made in implementing its policy of minimizing the amount of government-furnished equipment (GFE) it provides to contractors.

Findings

GAO found that at the end of fiscal year 1984, contractors had over \$8.4 billion of GFE in their possession, but noted that its estimate might not be accurate because DOD and the services did not know how much GFE contractors had acquired, discarded, or transferred.

GAO also found that DOD has not minimized the amount of GFE it provides because: (1) applicable portions of the Federal Acquisition Regulations (FAR) and the DOD FAR Supplement are too broad; (2) contractors generally lack incentives to furnish their own equipment; and (3) DOD and the services have provided insufficient guidance to program managers and procurement officials on the appropriate uses of

GFE. In addition, GAO found that: (1) a substantial portion of GFE is located at government-owned, contractor-operated (GOCO) plants which DOD and the services have not attempted to sell; (2) DOD has not sold some GFE because it is uncertain about its legal authority to sell excess equipment directly to contractors; (3) DOD does not adequately oversee contractors' acquisition, retention, and disposal of GFE; (4) some contractors ignore established controls over GFE, with DOD concurrence; (5) contractors frequently acquire GFE from commercial sources, without checking government inventories; (6) contractors frequently fail to dispose of excess equipment or properly document GFE transfers; and (7) DOD is developing a data base for property managers to monitor GFE.

Open Recommendations to Agencies

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of placing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct the Defense Acquisition Regulatory Council to take steps to amend the DOD FAR Supplement to allow the military services and defense agencies to provide general purpose equipment to contractors only under highly unusual circumstances which are clearly defined, adequately controlled, and properly justified.

Status: Action in process. A memorandum was prepared for the Secretary of Defense's signature that will address various government property policies, including a strategy for reducing GFE.

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of plac-

ing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct the Army, Navy, and Air Force to develop specific guidelines for program managers and local contracting officials to use in determining when, and under what conditions, the government can provide general purpose equipment to service contractors.

Status: Action not yet initiated. The Office of the Secretary of Defense (OSD) and the services will initiate the required action as soon as coordinated guidance can be developed.

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of placing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct the three services to: (1) identify general purpose plant equipment acquired by contractors under other than facilities contracts; and (2) determine and recoup any improper profits or fees that were added as a result of such acquisitions.

Status: Action not yet initiated. Within the next 60 days, OSD will issue the necessary guidance to the services to implement this recommendation.

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of placing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct the Army and the Navy to undertake comprehensive reviews of their GOCO plants to determine which ones

could be sold, and then to consummate such sales.

Status: Action in process. The Army and Navy have reviews underway to determine which GOCO plants can be sold.

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of placing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct the three services and the Defense Logistics Agency to assign a high priority to overseeing property-management systems at contractor locations, with special emphasis on: (1) ensuring that equipment acquisitions are authorized by the contract and made through normal government procurement channels whenever possible; (2) making periodic, detailed assessments of what GFE is needed to accomplish defense work; and (3) ensuring that action is taken to declare unneeded equipment excess to agency needs and dispose of it in a timely manner.

Status: Action in process. OSD guidance to implement this recommendation is currently being prepared.

In order to effectively implement the government's policy for minimizing the amount of GFE in the hands of contractors and realize the benefits of placing increased reliance on contractor-owned equipment, the Secretary of Defense should develop a strategy for reducing GFE. As a part of this strategy, the Secretary of Defense should direct OSD to establish an adequately staffed central office for government-furnished property, including GFE. This central office should have, at a minimum, information on the quantity and value of GFE acquired annually by each service, how it is being used, and how much is being discarded. In support of OSD, each service secretary should

designate a focal point responsible for the overall management of government-furnished property within the service.

Status: Action in process. OSD initiated action to obtain and include the recommended information in its report

of DOD property in the custody of contractors.

Department of Defense - Procurement and Contracts

Oversight of Contractor Pension Costs Could Be Improved

NSIAD-86-85, 06/23/86

Background

GAO assessed the adequacy of the Department of Defense's (DOD) audits of contract pension costs. DOD relies on the Defense Contract Audit Agency (DCAA) and the Defense Contract Administration Services (DCAS) to monitor such costs.

during its review, DCAA and DCAS regions were attempting to improve coordination; and (4) DCAA and DCAS need to improve their monitoring of unallowable costs resulting from contractors' delays in funding their pension plans.

has taken action to improve coordination of reviews by DCAA and DCAS. DLA was tasked to define and fix responsibilities for such reviews.

Findings

GAO found that: (1) while the combined DCAA and DCAS efforts have resulted in adequate audit coverage of defense contractors' pension costs, the agencies have performed independent reviews covering the same contractors without coordinating their efforts; (2) DOD policies require DCAA and DCAS to coordinate their pension audits; (3)

Open Recommendations to Agencies

The Secretary of Defense should take steps to ensure that DCAA and DCAS improve coordination and adhere more closely to procedures requiring coordinated pension reviews.

The Secretary of Defense should revise Federal Acquisition Regulation 31.205-6 to require that unallowable costs resulting from late funding of a contractor's pension plan be computed using short-term Treasury bill interest rates or other readily identifiable short-term rates in lieu of actuarially determined interest rates.

Status: Action not yet initiated. DOD agreed with this recommendation and

Status: Action not yet initiated. DOD did not concur with this recommendation.

Military Pay

Improved Aircraft Identification Capabilities: A Critical Need

NSIAD-86-181, 08/11/86

Background

GAO examined whether current capabilities for identifying aircraft allow the United States and the North Atlantic Treaty Organization's (NATO) air defense forces to effectively use their weapons under all combat conditions and whether the United States and NATO could take steps to better use existing identification capabilities.

Findings

GAO found that: (1) the United States and NATO have difficulty in identifying aircraft beyond visual range, at night, or in bad weather; (2) the Department of Defense (DOD) has made little progress since the mid-1970's in developing and fielding new systems; and (3) Army and Air Force units in Europe need to make better use of the Mark XII identification system.

Open Recommendations to Agencies

The Secretary of Defense should elevate the Combat Identification System Program Office to a higher level of authority within DOD to ensure that it adequately considers identification requirements in major weapon system

acquisition programs and to ensure that the program office has the authority to obtain the personnel needed to accomplish the program objective.

Status: Action in process. Estimated completion date: 04/87. A high-level joint management team is being formed with a Memorandum of Agreement to

be completed by March 1987. A steering committee was formed and is reviewing overlap.

Weapons Systems

Intermediate-Level Maintenance for Navy Tactical Missiles Can Be Better Managed

NSIAD-84-64, 03/05/84

Background

GAO reviewed the Navy's management of intermediate-level maintenance for tactical missiles.

Findings

GAO found that the cost of missile maintenance reached about \$23 million in fiscal year 1983 and, although the Navy has made some maintenance improvements, it needs to make further improvements if maintenance activities are to be effectively managed. GAO believes that better techniques are needed to monitor and evaluate the performance of missile maintenance activities for air- and surface-launched missiles.

Open Recommendations to Agencies

The Secretary of the Navy should direct both air- and surface-launched missile maintenance managers to: (1) collect actual labor-hour expenditure data from their activities; (2) analyze and compare these data; and (3) based on the data, set specific goals for improving maintenance productivity.

Status: Action in process. Estimated completion date: 06/87. Air-launched missile goals are being used on a regular, cyclical basis. For surface-launched missiles, productivity improvement

goals for SM-1 were established for fiscal year 1987, but additional follow-up is needed.

The Secretary of the Navy should direct the surface-launched missile maintenance managers to develop work-measurement standards for the major intermediate-level maintenance jobs.

Status: Action in process. Estimated completion date: 12/86. Standards are being developed for ancillary equipment, such as container repair, handling equipment.

Weapons Systems

The Advanced Medium Range Air-to-Air Missile: Resolve Uncertainties Before Production

C-NSIAD-84-18, 05/07/84

Background

GAO conducted a review to examine the potential usefulness and progress of the Advanced Medium Range Air-to-Air Missile (AMRAAM) System which the Air Force and the Navy are developing.

Findings

GAO found that the AMRAAM might go into production without adequate assurance that it will be operationally effective. If all goes as planned, the Air Force will exercise several priced production options while some initial operational testing and evaluation is still going on. However, the risks involved in

committing resources before completing testing may be greater than the Air Force currently envisions due to potential delays in development and testing schedules. If such delays occur, the Air Force will have inadequate information on the expiration dates for the production options. In addition, GAO found that the program's estimated cost has more than tripled since concept validation began 4 years ago, it does not

include all costs, and there is some uncertainty associated with certain cost elements. If costs are not controlled, potential cost increases could affect the procurement rate, inventory levels, and the overall combat effectiveness of the program. Finally, GAO found that the Air Force's cost-effectiveness study excluded some significant costs and did not consider recent cost increases.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretaries of the Air Force and the Navy to: (1) make a joint cost-effectiveness study using the most complete and current cost and performance estimates; and (2) use the results of that study to determine how force-level effectiveness would be affected

by reductions in planned procurement rates.

Status: Action in process. As of December 1986, DOD appeared to be ready to conduct the recommended study. No date for this action was noted.

Weapons Systems

Aquila Remotely Piloted Vehicle: Recent Developments and Alternatives

NSIAD-86-41BR, 01/04/86

Background

In response to a congressional request, GAO reviewed the Aquila Remotely Piloted Vehicle Program focusing on its technical problems, their effect on the program's cost, schedule, and management, and the Army's consideration of alternatives to the program.

Findings

GAO found that: (1) the program recently underwent a major restructuring in response to the technical problems revealed in testing; (2) the Army has questioned the value of the contractor's tests and estimates that it will run out of air vehicles before the operational test can be completed; (3) the program has experienced considerable cost growth and schedule

delays stemming from technical problems, funding limitations, and expanded capabilities; and (4) while recent program actions will further increase costs, cost estimates are still under revision. Among the program changes were: (1) shifting program management from the Army's Aviation Systems Command to its Missile Command; (2) deferring the production decision pending the resolution of technical problems; and (3) making the contractor financially responsible for correction of the problems. GAO also found that, in a 1984 study of alternatives to the program, the Army did not consider taking steps toward a more balanced comparison, including studies of: (1) life-cycle costs; (2) the revised employment concept to determine which system would satisfy basic mission needs; and (3) future mission payloads.

Open Recommendations to Agencies

The Secretary of the Army should ensure that, in the event that the Aquila program is terminated, an ensuing study of alternatives to satisfy the remotely piloted vehicle's basic mission takes into account not only the total life-cycle costs of candidate systems, but also any changes in performance requirements derived from the revised employment system.

Status: Action not yet initiated. As of December 1986, the Aquila Program had not been terminated, so no agency action is required.

Weapons Systems
Bradley Vehicle: Concerns About the Army's Vulnerability Testing

NSIAD-86-67, 02/14/86

Background

In response to a congressional request, GAO assessed the Army's Bradley Fighting Vehicle vulnerability test results and commented on their validity.

Findings

GAO found that the Army's phase I test results did not provide a realistic picture of the Bradley M3 vehicle's vulnerability or the number of casualties likely in combat because the Army: (1) obtained insufficient information to make such assessments; (2) used only a limited amount of the updated information obtained in preparing its report; (3) included no information regarding expected casualties or catastrophic kills in the event of missile or projectile hits on the Bradley; and (4) established test conditions that influenced the outcome to indicate less vulnerability. GAO compared the monitoring official's evaluation of the Bradley's

tests with the Department of Defense (DOD) report to Congress and found that the test official reported that: (1) most antiarmor weapons inflicted considerable damage and ammunition stored on the vehicle would present a major hazard to the crew; (2) the Army avoided catastrophic loss by aiming shots away from critical areas; (3) he used numbers of casualties per shot as the primary vulnerability measure rather than vehicle damage; and (4) the aluminum armor's vaporific effect and halon gas could prove hazardous. GAO concluded that the phase I test results provided insight into the Bradley's vulnerability, but critical data from the Army's vulnerability models are needed for proper assessment.

Open Recommendations to Agencies

The Secretary of Defense, in his report to Congress on phase II tests, should

include an evaluation of the Bradley's vulnerability based on a combination of the live-fire tests and the Army's vulnerability models, using the more current threat simulants available, in sufficient numbers to answer questions about the Bradley's vulnerability.

Status: Action in process. Estimated completion date: 04/87. DOD agreed to include this evaluation, using sufficient numbers of current threat simulators, in its phase II test report, to be released in early 1987.

The Secretary of Defense, in his report to Congress on phase II tests, should include vulnerability data on both the M2 and M3 vehicle.

Status: Action in process. Estimated completion date: 04/87. DOD agreed to include this data in its phase II test report.

Weapons Systems
DOD Acquisition: Strengthening Capabilities of Key Personnel in Systems Acquisition

NSIAD-86-45, 05/12/86

Background

In response to a congressional request, GAO examined the Department of Defense's (DOD) acquisition work force, specifically program managers and contracting officers and their: (1) roles in weapons system acquisition; (2) tools

to carry out their jobs; (3) external influences; and (4) career preparation.

Findings

A program manager heads each weapon system acquisition with assistance from various specialists, including a contracting officer who is legally authorized

to commit the government to contracts. GAO found that the program managers' and contracting officers' capability to contract for new weapon systems is limited because: (1) their roles in early program phases are not fully defined or well understood in practice; (2) acquisition strategy development lacks the criteria to tailor the competition's scope

and intent to individual programs; (3) external factors affect many programs and create a poor climate for logical, planned program development; and (4) career programs do not provide the intense and diverse experience, training, qualification criteria, and incentives to develop program managers and contracting officers. GAO also found that about half of the 17 new programs it reviewed fell short of the minimum competition level that DOD policy called for because: (1) DOD has not identified the program characteristics sensitive to various levels of competition or the criteria to apply them; (2) insufficient advance funding limited the programs; (3) many recently appointed program managers lacked substantial program-office or other acquisition experience, as well as specialized training; (4) the selection of contracting officers was not based on specific experience, education, or training; and (5) military career paths did not identify the types of acquisition experience desired.

Open Recommendations to Agencies

The Secretary of Defense should establish policies to assign the first program manager at the program conception stage.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should establish policies to clarify the program manager's role to ensure a flexibly stated requirement that permits a creative design process and is subject to reexamination as the program proceeds.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should establish policies to clarify the contracting officer's role and relationship with the program manager in weapon system

acquisition, including assignment of the first contracting officer at the program conception stage.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should establish policies to establish, in each program office, a clear focus and responsibility for contracting strategy formulation and execution. The contracting officer or other expert filling such a position should be a highly qualified system acquisition expert and a full team member from program inception.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should have a research and experimentation program to develop criteria for determining the appropriate level of competition in the design and development phases of new programs.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should require training to be provided to program managers and contracting officers on the newly developed guidance.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should, pending criteria development, require competition in the concept exploration, demonstration, and validation phases unless specifically waived.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of Defense should have management approval of the acquisition strategy linked to the budget funding process so that key front-end decisions will be protected and the optimum program strategy will set funding requirements, not the reverse.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of the Air Force should identify types of program manager positions for which civilians should be considered.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of the Air Force should select program managers based on demonstrated performance in the acquisition career field.

Status: Action in process.

The Secretary of the Air Force should expand the coverage of the civilian acquisition career program.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

The Secretary of the Army should establish a functional specialty in acquisition management and define desired acquisition experience within this career field.

Status: Action not yet initiated. The Army has taken no action on this recommendation. It is studying whether such a move would be feasible. Additional information will be given on January 31, 1987.

The Secretary of the Army should identify types of program manager positions for which civilians should be considered.

Status: Action not yet initiated. The Army has taken no action on this recommendation. It is reviewing this internally to see if such a move would be feasible.

The Secretary of the Army should select program managers based on demonstrated performance in the acquisition career field.

Status: Action not yet initiated. The Army has taken no action on this recommendation. It is reviewing whether this would be feasible. Additional update information will be available on January 31, 1987.

The Secretary of the Navy should establish a career field in acquisition that provides adequate acquisition experience and defines desired acquisition experiences.

Status: Action not yet initiated. The Navy has not yet responded to this recommendation.

The Secretary of the Navy should identify types of program manager positions for which civilians should be considered.

Status: Action not yet initiated. This recommendation is still under consideration.

The Secretary of the Navy should select program managers based on demonstrated performance in the acquisition career field.

Status: Action not yet initiated. This recommendation is still under consideration.

After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should broaden the experience and training requirements for major system contracting personnel to include specialized experience and ensure that necessary resources are provided to implement such a program.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should develop, based on such roles and responsibilities, specific education, experience, or other selection criteria for system contracting officers.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should provide career incentives for system contracting personnel by allowing them to enter other acquisition fields through development and opportunity.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should request that the Office of Personnel Management evaluate reclassifying system contracting personnel from administrative to professional if the roles, as clarified, and needed qualifications justify such action.

Status: Action not yet initiated. DOD has not yet responded to this recommendation.

Weapons Systems

Sergeant York: Concerns About the Army's Accelerated Acquisition Strategy

NSIAD-86-89, 05/30/86

Background

Pursuant to a congressional request, GAO provided information on: (1) the Army's unique accelerated acquisition strategy for the Sergeant York weapon and its suitability for use in future programs; (2) the protection against cost growth offered in the warranty contract's provision, particularly regarding

technical performance problems; and (3) the weapon's achievements in specific areas during testing.

Findings

The accelerated strategy's objective was to field the weapon as quickly as possible with a substantial cost savings. The Army scheduled less pre-

production testing than normal to accelerate deployment, resulting in a lack of critical information about shortcomings in the weapon's ability to perform under battlefield conditions. In addition, surveillance over the weapon's early production was limited. The Army successfully controlled costs until contract termination, which suggests that the use of the fixed-price development con-

tract and the three annual fixed-price production contract options were cost-effective. The contract's warranty provisions provided protection against cost increases emanating from defects in the design, component integration, materials, or workmanship. However, the fixed-price options did have a drawback because they put pressure on decision-makers to proceed with production on schedule, despite technical difficulties, in order to take advantage of the favorable prices. Tight schedules and limited operational testing left the Army few opportunities to resolve the difficulties before committing to major production. GAO believes that the Army should continue trying to reduce the time it takes to develop and field new weapons, as long as performance is not adversely affected.

Open Recommendations to Agencies

When the Army considers the application of the accelerated acquisition strategy to the Sergeant York program for future programs, the Secretary of Defense should require the Army to

make an initial assessment of the technical risks involved in individual subsystems, as well as in the integration of those subsystems into one system, with an explicit focus on whether the technology being attempted is compatible with an accelerated acquisition strategy. Built into the strategy should be provisions for adjusting schedules and other program facets if technical difficulties occur.

Status: Recommendation valid/action not intended. No actions will occur on this program because it was terminated. The Department of Defense (DOD) application of similar strategies on future weapons will be assessed in individual GAO reviews of those programs.

When the Army considers the application of the accelerated acquisition strategy to the Sergeant York program for future programs, the Secretary of Defense should require the Army to assess the weapon's technological progress periodically to see if it is still compatible with the planned acquisition. If technical progress is no longer keeping pace with the acceleration, the

strategy should be adjusted to bring it in line with the technology.

Status: Recommendation valid/action not intended. No actions will occur on this program because it was terminated. DOD application of similar strategies on future weapons will be assessed in individual GAO reviews of those programs.

When the Army considers the application of the accelerated acquisition strategy to the Sergeant York program for future programs, the Secretary of Defense should require the Army to ensure that the strategy provides for testing and evaluation sufficient to identify suitability and effectiveness which have to be resolved before the initial production is approved.

Status: Recommendation valid/action not intended. No actions will occur on this program because it was terminated. DOD application of similar strategies on future weapons will be assessed in individual GAO reviews of those programs.

Weapons Systems

DOD's Defense Acquisition Improvement Program: A Status Report

NSIAD-86-148, 07/23/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) implementation of the Defense Acquisition Improvement Program to provide an overview of the status and results DOD has achieved since it focused high-level management attention on program initiatives.

Findings

GAO found that, although the initiatives have not fully achieved the intended results, there have been improvements in the acquisition process. DOD has claimed cost savings resulting from the implementation of several initiatives; however, its techniques for estimating savings are sometimes faulty and can lead to inconsistencies in benefits and cost information report-

ing. Although schedule slippages have become smaller in recent years, slippages continue to occur as systems proceed through full-scale development. DOD has focused on revising its acquisition policies to give weapons support considerations equal priority and to ensure that accelerated weapons acquisition strategies place emphasis on design requirements for reliability and supportability. Although DOD has enhanced the defense industrial base, GAO could not link improvements in

the base to the industrial base initiative under the acquisition improvement program, and the initiative's effect has been minimal. Since most cost growth occurs after full-scale development, it is too early to assess the long-term impact that DOD improvements have made on the systems after it began the improvement program. DOD has made little progress in stabilizing weapons acquisition programs because of its inability to

propose realistic and affordable defense programs and budgets to Congress for development and procurement.

Open Recommendations to Agencies

The Secretary of Defense should establish reporting mechanisms which will enable the Office of the Secretary of

Defense to analyze, in a timely manner, the progress made in accomplishing the specific actions to improve the acquisition process so that corrective actions can be taken when necessary.

Status: Action in process. Specific additional action, if any, will be determined by the new Defense Acquisition Executive.

Natural Resources and Environment

Conservation and Land Management

Skewed Bidding Presents Costly Problems for the Forest Service Timber Sales Program

RCED-83-37, 02/09/83

Background

GAO was requested to examine the use of skewed bids on Forest Service timber sales. Skewed bidding occurs when a bidder in a multispecies sale loads most of the bid value on a single tree species and offers the minimum price for the other species. GAO reviewed timber sales in the Forest Service's three western regions where multispecies sales are common and skewed bidding occurs.

Findings

GAO found that the use of skewed bidding is causing costly problems for the Forest Service timber sales program. During fiscal years 1980 and 1981, about \$1.9 million in sales revenues was foregone on timber sales closed on 11 of the Forest Service's western national forests, and the forest must devote administrative resources to deal with the harvest management problems caused by skewed bidding. Timber harvesting on a species-by-species basis on

skewed bid sales compounds the sale management problems. Species logging permits the purchaser to harvest the high-value trees on the sale last, thus delaying the receipt of sale revenues. Species logging also increases the risk that high-value trees will not be harvested and efforts to resell the timber may be unsuccessful in recouping the loss. Although skewed bidding affects the Forest Service's three western regions, most Forest Service efforts to control the practice have occurred at the individual region or forest levels rather than programwide. The three western regions have restricted bidding on minor species by setting various minimum volume bidding criteria. GAO found that restricting bidding to species with more than 10 percent of the sale volume had limited effect.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Forest Service to control

the use of skewed bids on future timber sales. In the short term, the Forest Service could adopt a bid premium distribution procedure, whereby the total bid premium on a timber sale would be spread among the species offered for sale in proportion to the volumes and values of the individual species. In the long term, the Forest Service could require adoption of the fixed-price, lump-sum, tree measurement sales method once industry's concerns about this method are resolved to the Forest Service's satisfaction.

Status: Action in process. Estimated completion date: 06/87. In October 1986, USDA sent proposed regulations to control skewed bidding to the Office of Management and Budget for approval. The Forest Service expects final regulations to be issued by June 1987.

Conservation and Land Management

The Bureau of Reclamation Could Identify More Unneeded Land

RCED-85-25, 04/12/85

Background

GAO reported on the Bureau of Reclamation's process for identifying unused/underused and unneeded land.

Findings

GAO identified about 1.8 million acres of unneeded land for project purposes.

This occurred primarily because the Bureau's annual property reviews did not include detailed reviews of specific parcels of land and it had not completed reviewing the need for all public domain land under its jurisdiction. Recognizing the need to improve its land management program, the Bureau has been implementing a land-use inventory and

automated real property asset management system. This could help the Bureau develop a comprehensive and accurate inventory of land no longer needed for project purposes. GAO noted that, since proceeds from the sale of unneeded land are used to reduce the financial obligations of irrigation districts, three such districts could receive

reductions in their repayment obligations of about \$39 million if 73,000 acres of unneeded land are sold.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to transfer any unneeded public domain land used or needed by other federal agencies to the Bureau of Land Management (BLM) for disposition.

Status: Action in process. Estimated completion date: 01/91. The transfer of unneeded land to BLM for disposition

is an ongoing process; however, certain transfers must be completed by 1991.

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to consider whether interests of the federal government that would be advanced by amending the 1943 Columbia Basin Project Act to recover future surplus settlement land sale revenues for the government rather than crediting them to the repayment obligations of the project's three irrigation districts outweigh the interests of the districts. Should it be determined that the government's interests are paramount, legislation should be submitted to Congress specifying that future surplus revenues from settle-

ment land sales shall be credited to the federal government.

Status: Action in process. The Bureau of Reclamation is studying this situation prior to taking final action.

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to refrain from selling settlement land at the Columbia Basin Project until consideration of the proper disposition of future surplus settlement land sale revenues has been completed.

Status: Action in process. The Bureau of Reclamation has continued to sell settlement land, but has placed proceeds in escrow pending completion of a study of the situation.

Conservation and Land Management

Interior Department Oversight of State Permitting and Bonding Activities

RCED-86-38, 12/23/85

Background

Pursuant to a congressional request, GAO reviewed the Office of Surface Mining Reclamation and Enforcement's (OSM) oversight of state permitting and bonding activities, specifically whether OSM oversight: (1) provides adequate assurance that state permitting activities are in compliance with the Surface Mining Control and Reclamation Act of 1977; and (2) enables it to determine the adequacy of performance bonds established to ensure the reclamation of mined land.

Findings

GAO noted that: (1) 24 of the 27 coal states have primary responsibility for developing and enforcing state regulatory programs to control mining within their borders; and (2) OSM eastern and western technical centers review state permitting and bonding activities and report their results to the field

offices. GAO found that: (1) OSM oversight guidance generally outlines the review process, but until recently, it did not include detailed procedures on how the reviews should be conducted; (2) reviewers used different criteria in each state to determine what permits to review, and they prepared little or no documentation to support their findings; (3) technical center findings have often been dropped when challenged by state regulatory and OSM field office officials; and (4) some review findings contained errors or misinterpretations of the state's program and included deficiencies which had already been corrected. GAO also found that: (1) a few detailed calculations were made to determine the appropriateness of performance bond amounts; (2) bond adequacy was not addressed in 15 of the 24 states having primary enforcement authority; (3) in those states where the centers commented on bond adequacy, six states were reported as having insufficient bonds to cover the costs of reclamation; and (4) OSM has devel-

oped draft guidelines which require the technical centers to determine the adequacy of bond amounts, but the guidelines do not address how this determination should be done.

Open Recommendations to Agencies

The Secretary of the Interior should require the Director, OSM, to revise the draft bonding guidelines to incorporate procedures for determining the adequacy of reclamation performance bonds established by state regulatory authorities.

Status: Action in process. Estimated completion date: 01/87. OSM is reviewing its fiscal year 1987 oversight guidance to ensure that it contains effective procedures for determining the adequacy of state bonds.

Conservation and Land Management

Mississippi Valley Canada Geese: Flyway Management Obstacles

RCED-86-31, 02/05/86

Background

In response to congressional requests, GAO reviewed the Fish and Wildlife Service's (FWS) hunting regulations and cooperative management program for the Mississippi Valley Population of Canada geese (MVP), specifically the: (1) level of cooperation between the states in the Mississippi Flyway Council and FWS; (2) progress made in reaching the program's goal to increase MVP size; and (3) concern that hunters in the Council's southern states were not receiving an equitable share of the geese relative to the northern states.

Findings

FWS promulgates regulations each year limiting the number of waterfowl hunters can shoot and works with the Council to establish hunting regulations. The MVP improvement program: (1) restricts the harvesting of Canada geese to allow the flock to grow by 15 percent each year; (2) closed to hunting the area south of the 36th parallel; (3) sets harvest objectives for specific areas within states; and (4) relies on each state to apply the necessary harvest control methods, such as monitoring and season closure, to meet the agreed-upon limits. GAO found that: (1) since 1979, overall MVP harvest objectives have been exceeded by 295,000 geese, resulting in an MVP decline of 118,000;

(2) overharvests persisted despite FWS and Council steps to shorten the hunting season and identify harvest objectives for specific areas; (3) FWS has been reluctant to take stronger regulatory action to ensure that the states adhere to their objectives because of the program's cooperative nature; (4) although the states have cooperated in feeding and refuge restrictions in order to increase southern migration, they have been less unified over harvest control and have not accepted the increasingly restrictive regulations limiting state harvests; and (5) state officials seem willing to reexamine harvest objectives if the planned annual goose population growth rate could be reduced below 15 percent, giving them more time to reach the program's goals and allowing them to increase annual harvest objectives.

Open Recommendations to Agencies

If the states' harvest control plans for the 1985 to 1986 MVP Canada goose hunting season prove ineffective, the Director, FWS, should include, starting in the 1986 to 1987 hunting regulations, such restrictions as: (1) specifying each state's MVP harvest objective; (2) expanding special hunting (quota and tag) zones to monitor MVP harvest

rates; and (3) requiring states to close hunting seasons early if their MVP harvest objective is approached.

Status: Action in process. Estimated completion date: 12/86. The 1985-1986 MVP Canada goose harvest was 104 percent over the harvest objective agreed to by FWS and the Flyway Council. Thus, harvest control did not improve. As a result, FWS and the Council raised the 1986-87 MVP harvest objective by 103 percent. Few changes were made in the 1986-87 hunting regulations to improve harvest control as recommended.

Because of the importance of state and federal cooperation to achieve waterfowl management goals, the Director, FWS, should work with the Mississippi Flyway Council to reach agreement on a revised growth rate for achieving overall population and southern distribution goals of the MVP Canada goose program.

Status: Action in process. Estimated completion date: 12/86. FWS asked the Council to review the overall MVP Canada goose program. In March 1986, the Council directed its technical section to redesign the program and its goals. The results are not yet in.

Conservation and Land Management

Public Lands: Interior Should Ensure Against Abuses From Hardrock Mining

RCED-86-48, 03/27/86

Background

GAO evaluated how the Bureau of Land Management (BLM) carries out its mining claim recording and environmental protection responsibilities under the Federal Land Policy and Management Act, focusing on BLM procedures for ensuring that: (1) it gets enough information to determine the location and validity of mining claims on federal lands; and (2) mined lands are adequately reclaimed once mining activity ends. GAO conducted its work at 10 BLM offices in western states, where most of the mining activity within BLM jurisdiction occurs.

Findings

GAO found that: (1) while all 10 BLM offices review claims to ensure that claim holders have provided adequate location information, not all of the offices check to ensure that claims include a map or geographic reference; (2) some BLM officials believe that a map or geographic reference is necessary to adequately establish a claim's location; and (3) in cases where BLM does not adequately check location information, it may be unable to obtain

further information from claim holders, if necessary. GAO also found that: (1) BLM failed to inspect more than half of the mining sites that began operations in 1981 to determine whether they had been adequately reclaimed; (2) of the sites BLM inspected, 39 percent had not been reclaimed at the time of inspection; (3) there were a number of sites in the 10 states which showed varying degrees of environmental damage, including deep trenches, open pits, and improperly disposed waste; and (4) while BLM can require mine operators to post bonds to cover the costs of reclamation, it only does so for operators with a record of noncompliance.

Open Recommendations to Agencies

To help ensure that federal lands damaged by mining operations conducted under the Mining Law of 1872 are reclaimed, the Secretary of the Interior should: (1) base his decision on whether to require a reclamation bond on the significance of land disturbance likely to result from the mining operation; and (2) require mine operators to post

a bond in an amount large enough to cover the estimated costs of reclamation if their operations could cause significant land disturbance.

Status: Action in process. Interior is studying the problems associated with bonding before acting on this recommendation. Interior has been requested to submit the findings of this study to the Interior Subcommittee, House Committee on Appropriations, by May 1, 1987.

To enable BLM to better monitor the status of mining operations and operators' compliance with reclamation requirements, the Secretary of the Interior should amend the surface management regulations to require operators to furnish, as part of their notices of intent or plans of operations, the anticipated completion dates of their mining operations.

Status: Recommendation valid/action not intended. Interior disagreed with this recommendation and stated that action was not necessary.

Conservation and Land Management

Interior Should Recover the Costs of Recording Mining Claims

RCED-86-217, 09/10/86

Background

GAO reviewed the Bureau of Land Management's (BLM) cost-recovery analyses to determine whether it has been recovering the costs associated with recording mining claims.

Findings

GAO found that: (1) BLM analyses do not consider many of the costs that the Department of the Interior's cost recovery guidelines specify; and (2) BLM has not performed a new analysis to determine the extent of the unrecovered costs, even though it is aware that its \$5 recording fee does not recover program costs. GAO believes that: (1) on the basis of the guidelines, BLM can recover the direct and

indirect costs associated with recording mining claims; (2) compliance with Interior's cost recovery policy and guidelines could have increased fee collections by up to \$1.7 million in fiscal year 1984; and (3) BLM could realize comparable savings in the future if it followed the guidelines for determining recoverable costs associated with recording mining claims.

Open Recommendations to Agencies

Before increasing the mining claim recording fee, the Secretary of the Interior should direct that a new cost recovery analysis be undertaken for the BLM mining claim record-

ing program. This analysis should use Interior's departmental manual as the criterion for determining all appropriate costs, both direct and indirect, that are incurred in recording mining claims and that can legally be recovered. If warranted, the fee should be adjusted, on the basis of Interior's analysis, to bring it into compliance with administration and departmental policy to recover Interior's costs of recording mining claims.

Status: Action in process. Interior agreed with this recommendation and is currently performing a cost-benefit analysis. According to BLM officials, this analysis will be completed in January 1987. Based on this analysis, BLM will draft regulations in 1987 regarding the fee.

Conservation and Land Management

Difficulties in Reclaiming Mined Lands in Pennsylvania and West Virginia

RCED-86-221, 09/22/86

Background

Pursuant to a congressional request, GAO reported on the bonding systems for reclamation of strip-mined land in Pennsylvania and West Virginia.

Findings

GAO found that: (1) unreclaimed acreage exists in both states, posing risks to the health and safety of the public and environment; (2)

the interim program bond amounts in Pennsylvania and, to a lesser extent, in West Virginia, have not been adequate to reclaim all interim program lands; and (3) the Department of the Interior's Office of Surface Mining Reclamation and Enforcement (OSMRE) has not formally assessed the adequacy of the permanent program bonding systems in either state or the impact of using reclamation funds for program administration on the ability of the states to reclaim their bond forfeiture lands.

Open Recommendations to Agencies

In order to ensure the reclamation of coal mined lands, the Secretary of the Interior should require the Director, OSMRE, to work with the states to ensure that all bond forfeiture lands are quickly assessed and the most hazardous sites are reclaimed rapidly.

Status: Action not yet initiated. Interior has not responded to the report

recommendations to date. The subcommittee gave Interior until December 17, 1986 to respond.

Because environmental problems may arise if sites remain unreclaimed for extended periods of time, the Secretary of the Interior should require the Director, OSMRE, to study, compare, and contrast the state reclamation processes and work with the states to implement the most efficient and effective reclamation process.

Status: Action not yet initiated. Interior has not responded to the report recommendations to date. The subcommittee gave Interior until December 17, 1986 to respond.

In order to ensure that adequate funds are available to reclaim forfeited mine sites, the Secretary of the Interior should require the Director, OSMRE, to take the lead in examining the interim program funding problem and report to Congress its recommendations for ensuring the reclamation of these lands.

Status: Action not yet initiated. Interior has not responded to the report recommendations to date. The subcommittee gave Interior until December 17, 1986 to respond.

In order to ensure that adequate funds are available to reclaim forfeited mine

sites, the Secretary of the Interior should require the Director, OSMRE, to develop formal criteria for evaluating the adequacy of alternative bonding systems, and determine the adequacy of existing alternative bonding systems, including the impact that expenditures for program administration have on the ability of the states to reclaim abandoned lands.

Status: Action not yet initiated. Interior has not responded to the report recommendations to date. The subcommittee gave Interior until December 17, 1986 to respond.

Other Natural Resources

The Foreign Fishing Observer Program: Management Improvements Needed

RCED-85-110, 08/12/85

Background

Pursuant to a congressional request, GAO reviewed the National Oceanic and Atmospheric Administration's (NOAA) management of the Foreign Fishing Observer Program, including: (1) the process the National Marine Fisheries Service (NMFS) follows to develop program costs for budgeting and billing purposes; (2) the issue of health and safety conditions on foreign fishing vessels; (3) the use of observer-generated information; and (4) the use of contract observers in the northwest and Alaska program.

Findings

GAO noted that NMFS has followed an advance estimated billing process, based on the anticipated level of foreign fishing, planned level of observer coverage, and established cost factors, which has restricted NMFS from pursuing its planned level of observer coverage until

sufficient funds have been collected and become available for obligation. GAO found that: (1) with a sufficient amount of working capital, NMFS could pursue its planned program level and implement a billing system based on actual costs; (2) sanctions should be established for foreign fishing vessels considered inadequate for the placement of an observer; (3) there was a need for health and safety standards to judge the adequacy of foreign fishing vessels; and (4) NMFS considered information obtained by observers on foreigners' compliance with fishing laws and regulations valuable to ensure that all information needs were being met. GAO also found that: (1) adjustments to the training program curriculum could be made by adopting a standard training curriculum and instructional procedures for those elements of biological data that NMFS believes should be presented to all observers; and (2) NMFS used contract observers in the northwest and Alaska regional program rather than federal employees because agency per-

sonnel ceilings would not permit hiring enough federal employees.

Open Recommendations to Congress

Congress should amend the Magnuson Act to authorize sanctions against inadequate foreign fishing vessels.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of Commerce should request legislative authority to: (1) provide sufficient working capital to capitalize the Foreign Fishing Observer Fund; (2) to permit NMFS to pursue a full coverage program from the begin-

ning of each fiscal year; and (3) use a billing system based on actual costs.

Status: Action in process. On May 6, 1986, the Administrator, NOAA, sent draft legislation to the General Counsel, Department of Commerce, that would capitalize the subject program. While Commerce approved the legislative proposal and sent it to Congress, no congressional action was taken. The Administration plans to resubmit this proposal in the 100th Congress.

If the Observer Fund is provided working capital, the Administrator, NOAA, should: (1) implement a billing system based on actual costs; and (2) develop an information package on the billing process and procedures that would be responsive to most of the questions

raised by the foreign fishing interests about their observer fee bills and program costs.

Status: Action in process. Commerce's reply to the report stated that, if the observer fund is provided working capital, NOAA would implement a billing system based on actual cost. Commerce also stated that an appropriate information package on the billing process will be developed. NOAA has initiated action to develop this package; however, no target date for its completion has been established.

The Administrator, NOAA, should: (1) establish a time frame for NMFS to develop appropriate criteria to judge the adequacy of safety and health con-

ditions on foreign fishing vessels that want to fish in the U.S. fishery conservation zone; and (2) provide the basis for imposing sanctions against such vessels for inadequate safety or health conditions.

Status: Action in process. Commerce's reply stated that NOAA was in the process of developing criteria to be used in judging foreign vessel health and safety conditions. Subsequently, NOAA completed a basic set of health and safety guidelines for observers to use to help judge conditions of foreign vessels. NOAA will refine these guidelines to accommodate the new authority provided by P.L. 99-659.

Other Natural Resources

Delays in Processing and Disbursing Onshore Oil and Gas Bid Revenues

RCED-86-69, 03/24/86

Background

GAO reviewed the Department of the Interior's procedures for: (1) depositing and processing bid revenues from offshore and onshore competitive oil and gas lease sales; and (2) disbursing onshore bid revenues to the states.

Findings

GAO found that Interior's procedures and guidelines for depositing and processing offshore bid revenues were adequate, but the procedures for depositing, processing, and disbursing onshore bid revenues could be more timely. More timely receipt and deposit of onshore bid revenues, in compliance with Department of the Treasury and Interior instructions, would make these funds available to the federal government sooner, thereby decreasing the need for Treasury to borrow money and incur interest. Interior could also save

Treasury interest costs by streamlining its procedures for notifying winning bidders of bid acceptance and for requiring final bid payment from onshore bidders. GAO estimated that timely deposits of these funds and streamlined procedures could have saved Treasury about \$152,000 for the 55 parcels it reviewed. GAO also found that Interior's procedures for disbursing states' shares of onshore bid revenues could be more timely. Timely deposit and payment of onshore bid revenues to the states could become more important because Congress is considering actions to increase acreage offered for competitive leasing.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Director, BLM, to establish a

shorter time frame for winning bidders to submit their four-fifths balances.

Status: Action in process. BLM proposed reducing the current 30-day period for remittance of the four-fifths bonus bids and first year rentals to 15 calendar days. The regulatory revision package was submitted to the Secretary of the Interior. Expected date of approval is not known.

The Secretary of the Interior should direct the Directors of the Mineral Management Service (MMS) and BLM to take steps to expedite payments to the states, including developing new procedures, such as quicker delivery service, and weekly or biweekly time frames for notifying the MMS accounting center when the final four-fifths bid balances are deposited by BLM state offices.

Status: Action in process. MMS and BLM have developed a memorandum of understanding outlining quicker procedures for notifying the MMS accounting center of the final bid deposits.

The Secretary of the Interior should direct the Directors, MMS and BLM, to take steps to expedite payments to the states including adjusting the automated system at the accounting

center to notify Treasury to pay the states' shares more quickly.

Status: Recommendation valid/action not intended. Interior disagreed with this recommendation and does not plan to take corrective action.

Other Natural Resources

Interior Has Not Solved Indian Oil and Gas Royalty Payment Problems

IMTEC-86-13, 03/31/86

Background

In response to a congressional request, GAO examined the Department of the Interior's initiatives to ensure the timely and accurate collection and distribution of Indian oil and gas royalties, specifically Interior's efforts to : (1) provide useful royalty payment explanations to individual Indians; (2) resolve royalty overpayments; and (3) ensure that Indian leases are included in its exception processing system. GAO also evaluated the possibility of using the Mineral Management Service's (MMS) new computer to help solve royalty payment problems.

Findings

The Oil and Gas Royalty Management Act requires Interior to provide Indian royalty owners with explanations of their royalty payments. The Bureau of Indian Affairs (BIA) developed an automated system to provide this information. However, GAO found that BIA was not in compliance with the act because: (1) 18,000 of 27,000 Indian royalty owners were not receiving royalty payment explanations; (2) the payment statements did not include the royalty rate; (3) 40 percent of those who received royalty explanation statements found them difficult to understand because of their small print and technical language; and (4) BIA has not taken action to resolve about \$450,000

in overpayments made prior to installation of the automated system. GAO also found that MMS: (1) has made progress in ensuring that Indian leases are included in its exception processing system; (2) identification of late payments could result in an additional \$375,000 in annual revenue to Indians; (3) has not implemented procedures for identifying other payment exceptions and for collecting an estimated \$2.3 million in backlogged Indian royalty revenues; (4) has proposed a new computer system for its royalty management program, but the system will not resolve Interior's problems in information dissemination, royalty overpayments, and exception processing; and (5) will modify its system to generate royalty rate information and to reduce the number of adjustments and overpayments.

Open Recommendations to Agencies

To ensure that Interior complies with section 105 of the Federal Oil and Gas Royalty Management Act of 1982, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to promptly implement the Royalty Distribution and Reporting System throughout BIA.

Status: Action in process. BIA is working to have the Royalty

Distribution Reporting System implemented nationwide by December 1986. BIA recently implemented the system in the Navajo area. Its effort to implement the system at the remaining areas is estimated to be on schedule.

To ensure that Interior complies with section 105 of the Federal Oil and Gas Royalty Management Act of 1982, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to change the BIA Royalty Distribution and Reporting System to provide royalty rates on the statements generated by the system.

Status: Action in process. The Interior Task Force is working on revising the Royalty Distribution and Reporting System so that it can begin providing royalty rates on statements generated by the system. Interior now provides royalty rate information on statements provided to allottees. Once the statement and supporting programs are tested and accepted, Interior will migrate them to other areas.

To ensure that Interior complies with section 105 of the Federal Oil and Gas Royalty Management Act of 1982, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to redesign the royalty payment statement provided to allottees to make it easier for them to understand and use.

Status: Action in process. Interior concurred with this recommendation and is working to develop an approach for redesigning the statement provided allottees to make it easier to understand.

The Secretary of the Interior should require the Assistant Secretary for Indian Affairs to promptly resolve, by collection, offset, or write-off, the

\$450,000 in overpayments resulting from not properly accounting for negative royalties in the Anadarko area.

Status: Action in process. Interior is in the process of evaluating the cost and benefit of recovering the \$450,000.

After the Auditing and Financial System becomes operational on the new MMS computer, the Secretary

of the Interior should require the Director, MMS, to assess the feasibility of expanding the MMS exception processing system to include other exception types, as well as those currently being performed.

Status: Action in process. Interior is evaluating the feasibility of implementing this recommendation.

Other Natural Resources

Deactivating Research Vessels: National Oceanic and Atmospheric Administration's Use of Private Ships

RCED-86-133, 06/11/86

Background

Pursuant to a congressional request, GAO reviewed the National Oceanographic and Atmospheric Administration's (NOAA) proposal to deactivate a number of its marine research vessels and increase the use of private-sector vessels.

Findings

GAO found that: (1) in fiscal year (FY) 1985, NOAA operated 22 ocean-going research vessels to support its fisheries, oceanographic, and hydrographic programs; (2) NOAA programs and projects have averaged 4,872 days at sea annually over the last 3 years; (3) private-sector vessels accounted for about 16 percent of NOAA days at sea during that period; and (4) NOAA wants to deactivate half of its fleet, which could save up to \$11 million of its annual \$61 million fleet support costs. GAO

also found that: (1) NOAA officials at different research centers had differing views on the desirability, safety, and cost-effectiveness of increasing private-sector fleet support; (2) while some NOAA officials believe that chartering private-sector vessels would be advantageous because they are more modern, more readily available, and manned by more experienced crews, other officials believe that NOAA vessels are safer and more readily available; (3) NOAA vessels' daily costs range from \$1,000 to \$22,000, compared to \$465 to \$4,955 for private-sector ships, but it noted that the comparison may be geographically skewed because one NOAA research center charters most of the NOAA private-sector fleet support; and (4) costs for NOAA vessels also tend to be higher because it owns larger, more expensive multi-purpose vessels, whereas most of its charter vessels are smaller, single-purpose vessels, such as fishing boats.

Open Recommendations to Agencies

Before deactivating a significant portion of the NOAA fleet, the Administrator, NOAA, should develop more definitive information on the merits of such an action. Although a number of options may be available, one option is for NOAA to gradually increase the use of private vessels so it can obtain the additional experience and data needed to justify the deactivation proposal.

Status: Action in process. On August 29, 1986, NOAA requested assistance from the National Research Council to help it develop more definitive information to assess the use of charter vessels versus NOAA vessels. The Council agreed to assist NOAA and initiate a study in January 1987 that will provide NOAA with a methodology for employment of NOAA or private vessels. The target date for completion is September 1987.

Other Natural Resources

Mineral Revenues: Opportunities To Increase Onshore Oil and Gas Minimum Royalty Revenues

RCED-86-110, 06/24/86

Background

GAO reviewed the Department of the Interior's administration of federal oil and gas leases to determine: (1) whether Interior has collected all minimum royalties due the government; and (2) if the current minimum rate is still appropriate.

Findings

GAO noted that the Bureau of Land Management maintains the official records on lease status and acreages subject to rents or royalties and the Minerals Management Service (MMS) collects and disburses lease revenues to recipients. GAO found that: (1) although oil and gas rental rates have increased during the past 40 years, the minimum royalty rate of \$1 per acre has not; and (2) in fiscal year 1985, MMS did not collect \$1.7 million because it received no royalties from approximately 1.4 million acres.

Open Recommendations to Agencies

The Secretary of the Interior should require the Director, MMS, to recover uncollected or undercollected minimum royalties and related interest, as required by statute.

Status: Action in process. MMS initiated a project to clean up its data base for minimum royalty and rent payments, and to install a program in the system to prevent future undercollections. In 1986, Congress considered several bills on oil and gas leasing. Among these were proposals to increase the minimum royalty and/or to redefine minimum royalty, thereby giving Interior the flexibility to raise the rate.

The Secretary of the Interior should require the Director, MMS, to monitor existing leases to ensure that minimum royalties are paid.

Status: Action in process. MMS initiated a project to clean up its data base for minimum royalty and rent payments, and to install a program in the system to prevent future undercollections. The project is targeted for completion in 1987.

The Secretary of the Interior should develop and submit to Congress a legislative package amending the Mineral Lands Leasing Act of 1920 to specifically authorize him to adjust the minimum royalty rate. In the event legislation passes authorizing Interior to do so, the minimum royalty rates for newly issued leases should be adjustable during the lease terms according to their current circumstances.

Status: Action in process. In 1986, Congress considered several bills on oil and gas leasing. Among these were proposals to increase the minimum royalty and/or redefine minimum royalty, thereby giving Interior the flexibility to raise the rate. Congress is expected to have similar bills on the agenda in 1987.

Until an automated computer monitoring system is developed, MMS should use the existing Minimum Royalty Schedule Data Listing report to carry out recommended actions.

Status: Action in process. In 1986, Congress considered several bills on oil and gas leasing. Among these were proposals to increase the minimum royalty and/or redefine minimum royalty, thereby giving Interior the flexibility to raise the rate. Congress is expected to consider similar bills in 1987.

Other Natural Resources

Interior Needs Management Control Over Automation Effort

IMTEC-86-27, 07/28/86

Background

In response to a congressional request, GAO reviewed various aspects of the Department of Interior's effort to revise its automated Collection Management Information System.

Findings

GAO found that: (1) Interior did not adequately justify its rationale for revising the system; (2) the contract to revise the system was not subject to federal procurement regulations because Interior awarded it under the Small Business Act; (3) in evaluating contractor proposals, Interior did not document the evaluation's results and the selection process it used; (4) its quality assurance test was not statistically valid; and (5) as of June 20, 1986, it had not finalized its approach for ensuring data accuracy and providing trained staff to update and maintain the data. GAO could not determine the system's ability to track cases and generate reports because the revised system was not operational and Interior had not finalized documentation on its design.

Open Recommendations to Agencies

To ensure that appropriate management controls are established over the effort to develop and implement a Collection Management Information System, the Secretary of the Interior should not provide further funding for the contract to revise the system until the Office of Surface Mining has prepared a requirements analysis, a software conversion study, a work load estimate, and an economic cost analysis that conform to the requirements in its Departmental Manual.

Status: Action not yet initiated. Interior has not responded to the report.

The Secretary of the Interior should also direct the Director, Office of Surface Mining, to: (1) conduct another quality assurance test using statistically valid random sampling techniques; (2) develop a statistically valid methodology for use in conducting monthly quality assurance tests on a sample of

the data base cases; and (3) develop within the Office the capability needed to successfully develop and operate the collection system.

Status: Action in process. OSM reported to the Subcommittee that it will be performing a statistical sample in the near future.

In view of the possibility that review requirements are not being followed for other procurements under \$10 million, the Secretary of the Interior should direct the Director, Office of Information Resources Management, to establish management controls over the acquisition of computer services under \$10 million to ensure that such acquisitions are justified and properly managed.

Status: Action in process. Interior informed the Subcommittee that it will be taking action on this recommendation.

Pollution Control and Abatement

Better Coordination Is Needed Between Pesticide Misuse Enforcement Programs and Programs for Certifying and Training Individuals To Apply Pesticides

RCED-83-169, 07/01/83

Background

GAO reviewed programs in Illinois and Minnesota under the Pesticide Applicator Certification and Training Program to determine whether they are addressing major pesticide misuse problems.

Findings

GAO found that the Environmental Protection Agency (EPA), Illinois, and Minnesota have not linked the certification and training and enforcement programs to deter and reduce pesticide misuse. The review of programs, to certify individuals as competent to use pesticides, indicates that information on pesticide misuse is not routinely and systematically developed or used,

even though the data are collected and maintained by the states as part of their pesticide enforcement efforts. Further, EPA evaluations of state programs have not addressed qualitative program elements, but have concentrated on quantitative program outputs. GAO noted that EPA has neither developed criteria for evaluating test criteria nor, within 7 years, conducted in-depth test reviews. Finally, GAO found that the Illinois and Minnesota pesticide commercial examinations did not meet all federal certification requirements.

Open Recommendations to Agencies

The Administrator, EPA, should direct that action be taken to develop cri-

teria and guidance for EPA regions to evaluate state commercial applicator examinations.

Status: Action in process. Estimated completion date: 06/87. On August 30, 1985, a task force studying the need for changes in the certification and training program made substantive recommendations for program changes which would effect this recommendation. It will be some time in fiscal year 1987 before it can be determined whether EPA has taken adequate action to address the problem underlying this recommendation.

Pollution Control and Abatement

DOD Can Make Further Progress in Controlling Pollution From Its Sewage Treatment Plants

NSIAD-84-5, 02/03/84

Background

GAO evaluated Department of Defense (DOD) efforts to control pollution from its sewage treatment plant operations and attempted to determine whether DOD plants are meeting Environmental Protection Agency (EPA) discharge permit requirements.

Findings

GAO found that, while DOD has made great efforts to improve its sewage treatment plants, these efforts have not been fully successful because: (1)

the services have not always selected the most cost-effective treatment methods available; and (2) plant upgrades and modifications often have serious design and construction flaws that reduce plant efficiency. Major upgrades have occurred in the last 10 years at 11 of the 13 plants visited by GAO, but many of the upgraded plants are not meeting the sewage treatment levels expected because of design deficiencies. In addition, 11 of the 13 plants had been unable to consistently meet National Pollution Discharge Elimination System permit requirements. GAO identified problems

leading to noncompliance, including: (1) lack of specific guidance on how to ensure adequate operation, maintenance, and compliance; (2) lack of follow-up on problems found by DOD, EPA, and state environmental inspectors; (3) equipment deficiencies; (4) infiltration and inflow problems; and (5) deficient operation and maintenance practices.

Open Recommendations to Agencies

To guarantee that the most cost-effective sewage treatment methods are

used, the Secretary of Defense should ensure that the services comply with DOD policy by carefully evaluating all feasible treatment alternatives, including regional or municipal tie-ins.

Status: Action in process. Estimated completion date: 12/86. DOD decided not to issue a new directive, which it stated it was going to do in its initial response to Congress. However, it issued new policy memoranda. DOD is also undertaking a review of all DOD directives and this and some others may be combined into one environmental directive.

To guarantee that the most cost-effective sewage treatment methods are used, the Secretary of Defense should require the services to provide written justifications supporting the selection of sewage treatment alternatives that differ from those recommended by cost-effectiveness studies.

Status: Action in process. DOD decided not to issue a new directive, which it had stated it was going to do in its initial response to Congress. However, it issued new policy memoranda. DOD is also undertaking a review of all DOD directives and this and some others may be combined into one environmental directive.

To guarantee that the most cost-effective sewage treatment methods are used, the Secretary of Defense should study and pilot test making one party responsible under contract for designing and constructing a treatment plant and for demonstrating, with plant operators, that the plant will meet discharge permit requirements before turning over the plant to the services for operation.

Status: Action in process. Estimated completion date: 10/87. The pilot test has been delayed.

Pollution Control and Abatement

Cost-Benefit Analysis Can Be Useful in Assessing Environmental Regulations, Despite Limitations

RCED-84-62, 04/06/84

Background

GAO reported on the Environmental Protection Agency's (EPA) major efforts to prepare cost-benefit analyses to support regulatory decisions, as required under Executive Order 12291. In addition, it discussed the Office of Management and Budget's (OMB) review of those analyses and identified many problems that affect the potential usefulness of cost-benefit analyses for assessing environmental regulations.

Findings

GAO found large gaps in the underlying scientific information which EPA uses to estimate the environmental benefits of its regulatory alternatives. EPA has also had difficulty determining how much people are willing to pay for health and environmental improvements. However, a cost-benefit analysis can still provide useful information to regulatory decisionmakers if EPA presents a range of dollar values

which reflect the uncertainty of the estimates. Some environmental laws place more emphasis on the level of cleanup to be achieved than on the costs involved, and they may prohibit or limit the use of cost-benefit analyses in setting standards and regulations. In addition, cost-benefit analyses are not transmitted to Congress. Executive Order 12291 generally requires EPA and other federal agencies to provide a detailed cost-benefit analysis for any major regulation. However, the Order allows for a great deal of flexibility in establishing the estimated costs of proposed regulations, and EPA has not always considered all important compliance costs to determine whether a proposed rule is a major regulation. In addition, GAO found that EPA failed to consider all possibilities in determining which alternative would yield a higher net benefit. GAO also found that EPA cost-benefit analyses generally highlighted only single-dollar estimates in summary form while ranges of estimates for other categories were

available but not used. Despite these problems, OMB has generally accepted the EPA analyses.

Open Recommendations to Agencies

The Administrator, EPA, should direct the program offices performing cost-benefit analyses to use special techniques for analyzing uncertainty so that the most likely estimates of key regulatory effects can be isolated.

Status: Action in process. On August 1, 1986, an EPA Assistant Administrator released a draft report for internal review that discusses the uncertainty issue raised in the report. The draft report states that EPA will follow EPA guidelines more closely to correct the prior uncertainty deficiencies. An accomplishment report will be prepared after EPA finalizes its draft report, which is scheduled for March 1987.

The Administrator, EPA, should direct the Budget Office to highlight, in its annual budget submission to Congress, the priorities it has assigned to address the most critical data gaps affecting the precision of cost-benefit analyses and the measures planned to narrow those gaps.

Status: Action in process. In the EPA draft report of August 1, 1986, the critical research needs currently

being addressed at EPA are discussed. The draft report, once finalized, is to be transmitted to Congress, at which time an accomplishment report will be prepared on this recommendation. The final report is scheduled for February/March 1987.

The Administrator, EPA, should transmit to the cognizant oversight committees in Congress, in executive summary form, those cost-benefit analyses that cannot be used in environmental rulemaking because of legal restrictions.

Status: Action in process. On August 1, 1986, an EPA Assistant Administrator released a draft report for internal review that summarizes those cost-benefit analyses that were not used in EPA because of legal restrictions. The draft report, once finalized, is to be transmitted to Congress in response to this recommendation. The final report is scheduled for February/March 1987.

Pollution Control and Abatement

EPA's Efforts To Identify and Control Harmful Chemicals in Use

RCED-84-100, 06/13/84

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) current progress in reviewing and controlling existing chemicals as mandated under the Toxic Substances Control Act.

Findings

Since 1982, EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards. However, the chemicals program has had low priority in relation to other activities and, since fiscal year 1981, there has been a downward trend in funding for the program. EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards; developing a plan for implementing the program; and establishing an existing chemicals task force to develop, monitor, and manage the program. Since the act's passage, EPA has: (1) regulated 4 chemicals; (2) identified 60 chemicals that may present an unreasonable risk and need to be evaluated; and (3)

determined that 41 additional chemicals require testing. Initially, EPA did not meet the act's mandate to initiate chemical test rulemaking proceedings within 1 year because of a lack of resources, and it had not proposed test rules. Finally, EPA has designated and assessed only two chemicals for 180-day priority review because those chemicals significantly increase the risk of harm from cancer, birth defects, or gene mutations.

Open Recommendations to Congress

Congress may want to consider alternatives for increasing the number of chemicals considered for priority review, if Congress believes that EPA should use this provision more frequently. Congress could: (1) require EPA to designate chemicals which are known to cause cancer, gene mutations, or birth defects; (2) establish an advisory group of representatives from federal research and regulatory agencies to recommend chemicals for EPA to consider for priority review; (3) provide EPA the authority to gather additional information to properly assess a chemical's risk during review; or (4) require EPA to include in its annual reports

the chemicals it considered for priority review, its decisions, and the related reasons for the decisions.

Status: Action in process.

Open Recommendations to Agencies

The Administrator, EPA, should finalize proposed test rulemaking within a reasonable time, such as a goal of 12 to 18 months after proposal. If EPA is not able to finalize test rules in a reasonable time, it should inform Congress of the delay, the reasons, and suggest solutions such as negotiated testing agreements, additional resources, or legislative changes.

Status: Action in process. Estimated completion date: 12/86. In January 1986, EPA published for comment an interim final procedural rule to streamline the chemical testing process. EPA proposes to issue consent orders as an alternative to rulemaking, in appropriate circumstances. EPA believes that this procedure could save 12 to 18 months compared with the rulemaking process. Other EPA action is ongoing and will need GAO follow-up in 1987.

Pollution Control and Abatement

Assessment of New Chemical Regulation Under the Toxic Substances Control Act

RCED-84-84, 06/15/84

Background

Pursuant to a congressional request, GAO reviewed: (1) the Environmental Protection Agency's (EPA) program for protecting health and the environment from the risks of new chemicals; (2) enforcement of program requirements by EPA; and (3) the differences between the EPA program and the new chemicals notification program adopted by the European Economic Community (EEC) and the potential impact of these differences on international trade.

Findings

EPA performs premanufacture reviews to assess the potential risks of new chemicals. GAO found that EPA reviews are limited in scope and their assessment of risks are frequently made with considerable uncertainty as to the toxicity of the chemicals being reviewed. EPA is required to provide enforcement inspections to ensure that: (1) new chemical notifications are being submitted; (2) EPA-imposed control actions are implemented by chemical manufacturers; and (3) data required to be submitted are reliable. GAO found that not all of the planned inspections were performed because inspection resources were being diverted to other enforcement activities. In addition, GAO found that the United States and EEC have pursued different approaches to chemicals regulation. While the American system is designed

to protect against chemical risks without creating economic barriers to technological innovation, the European program is designed to avoid trade barriers that might arise if the nations of EEC did not standardize their reporting requirements. The EEC program involves a notification system, with risk assessment and control decisions left primarily to member nations. Under the EEC program: (1) a standardized set of tests is required for new chemicals; (2) any chemical not on the established chemical inventory must be pretested; and (3) additional testing is required when the quantity of a new chemical being marketed reaches specified levels. GAO believes that it is too early to tell whether international trade might be affected by the differences in the two systems.

Open Recommendations to Congress

Congress may wish to provide EPA with additional authority to control changes in the manufacture and use of new chemicals that have undergone premanufacture review while data necessary for determining the chemical's health and environmental effects are being developed.

Status: Action in process.

Open Recommendations to Agencies

To improve the enforceability of the new chemicals program, the Administrator, EPA, should revise the premanufacture notification regulations on what constitutes an exemption from the notification requirement by developing more specific criteria for distinguishing between research and development, test marketing, and commercial uses.

Status: Action in process. EPA continues to consider the problem. It recognizes the problem but has been unable to reach an agreement internally on an acceptable basis for distinguishing between these actions.

EPA should provide adequate inspection resources to achieve its inspection goals in the new chemicals program. If these resources are not available because of higher priority requirements, EPA should establish the additional needs of the program and provide such information to the appropriate congressional committees for their consideration.

Status: Action in process. Action is ongoing and will be done on an annual basis as part of EPA planning and budgeting efforts.

Pollution Control and Abatement

Status of Civilian Federal Agencies' Efforts To Address Hazardous Waste Problems on Their Lands

RCED-84-188, 09/28/84

Background

Pursuant to a congressional request, GAO determined: (1) what actions have been taken by federal civilian agencies to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) which require them to identify federal sites which potentially contain hazardous wastes; and (2) the status of ongoing and planned agency actions to assess and correct hazardous waste problems at federal sites.

Findings

GAO identified 16 federal agencies involved in hazardous waste activities. The agencies had identified 340 locations with potential hazardous waste problems. Some locations were identified in response to a CERCLA reporting requirement, although identification of sites was hampered because: (1) some agencies were unaware of the reporting requirement; (2) guidance issued by the Environmental Protection Agency (EPA) left agencies with broad discretion in meeting the requirement; and (3) there was no requirement for EPA to evaluate the adequacy of agency reporting actions. GAO found that about

30 percent of the 340 identified locations had not been assessed, but that for the remainder, some action had been taken. In 73 cases, EPA or the responsible agency determined that no further action was warranted. GAO also found that seven federal agencies have initiatives underway to identify hazardous waste sites. In addition, GAO found that an EPA inventory of potential hazardous waste sites is incomplete and contains errors, which could adversely affect a new EPA strategy for ensuring that agencies comply with CERCLA requirements.

Open Recommendations to Agencies

The Administrator, EPA, should instruct EPA regional offices on the importance and need for complete and accurate information on potential hazardous waste site locations on federal lands. The instructions should also require regional offices to update and correct the ERRIS data base to show which locations are on federal lands and clearly identify within the data base those locations on federal lands that

have been shown to lack the potential for uncontrolled hazardous waste sites.

Status: Action in process. EPA headquarters stressed to regions the importance of keeping ERRIS up to date. ERRIS and the Project Tracking System have been merged into a new system, called CERCLIS, which shows the complete range of site activities from discovery through final remedy.

The Administrator, EPA, should require EPA regional offices to update and correct the ERRIS data base to show the current status of site assessment, evaluation, and corrective actions that have been taken at federal agency locations.

Status: Action in process. EPA is developing a Federal Facilities Program Manual for implementing CERCLA responsibilities of federal agencies and will be available to other agencies. Federal agencies will have to develop site response programs that produce products similar to those of EPA, and then communicate their progress and provide products to EPA for review and entry into CERCLIS.

Pollution Control and Abatement

EPA Could Benefit From Comprehensive Management Information on Superfund Enforcement Actions

RCED-85-3, 12/28/84

Background

Pursuant to a congressional request, GAO reviewed the extent of management information available to the Environmental Protection Agency (EPA) in carrying out its enforcement responsibilities under the Superfund program.

believe that, if the Superfund enforcement caseload continues to increase as expected, an agencywide information system could enable program managers to better address comprehensive Superfund issues such as the length of the enforcement process, whether enforcement milestones are met, and resource allocation. However, EPA has not assessed the feasibility of implementing a comprehensive Superfund enforcement tracking system.

agement information system and, if cost-effective, implement such a system. In making this assessment, the Administrator should consider the needs of EPA program managers and Congress.

Findings

GAO found that, while EPA headquarters and regional offices have individual management information systems for tracking Superfund enforcement actions, there is no such system that covers the entire agency. Most such systems were developed in recent years as the growing Superfund caseload prompted program managers to develop systematic ways of tracking enforcement actions. Many EPA officials

Open Recommendations to Agencies

In view of the growing enforcement work load, the Administrator, EPA, should assess the feasibility of developing and maintaining a comprehensive Superfund enforcement man-

Status: Action taken not fully responsive. GAO performed a follow-up review, completed in February 1986 (RCED-86-98FS), to determine the extent of compliance with the recommendation. EPA took some corrective measures but they did not fully implement this recommendation. It undertook a long-term effort to improve its information systems but has yet to complete this project. Also, lack of funding in FY 1986 restricted contractor support.

Pollution Control and Abatement

The Environmental Protection Agency Should Better Manage Its Use of Contractors

RCED-85-12, 01/04/85

Background

Pursuant to a congressional request, GAO discussed the Environmental Protection Agency's (EPA) use of contractors to support its programs.

contractor employees were not establishing policy or performing other types of work traditionally reserved for federal employees. About 88 percent of EPA contracts are cost-reimbursable, which provides EPA maximum flexibility in accomplishing program objectives, but offers limited incentive for the contractor to control costs. GAO believes that EPA is missing opportunities to control costs through the increased use of fixed-price contracts. GAO also noted that EPA, contrary to its regulations,

has directed contractors to perform work outside the scope of their contracts and to award sole-source subcontracts to firms selected by EPA.

Findings

GAO found that EPA has not: (1) monitored contractors' activities to ensure that performance remains cost-effective; or (2) performed reviews to ensure that

Open Recommendations to Agencies

The Administrator, EPA, should, to increase the agency's efficiency in using contractors and federal employees to

comply with Office of Management and Budget (OMB) Circular A-76, establish procedures for monitoring contracts for cost-effectiveness. If contracts are determined not to be cost-effective, EPA should follow OMB Circular A-76 guidelines and look for more efficient contracting opportunities and/or prepare a cost analysis to determine if it would be more appropriate to do the work in-house with government employees.

Status: Action in process. EPA has initiated a contracts management improvement program.

The Administrator, EPA, should take the necessary actions to increase the

priority given to procurement operations.

Status: Action in process. EPA has initiated a contracts management improvement program.

The Administrator, EPA, should, to improve controls over the agency's contract management, require the Procurement and Contract Management Division to carry out its contract management responsibilities by having the contract officers become more involved with monitoring work assignments as required by EPA and federal regulations. The Administrator should require contract officers not to approve individual work assignments unless the assignments are accompanied by: (1)

a detailed statement-of-work showing specifics to be included in the final work product; and (2) a detailed cost estimate. If necessary, a compliance program should be established to ensure that contract officers meet this requirement. If resources are not available to carry out these responsibilities, the Administrator should determine the additional staff needs and provide this information to the appropriate congressional committees for their consideration.

Status: Action in process. EPA has initiated a contracts management improvement program.

Pollution Control and Abatement

Hazardous Waste Management at Tinker Air Force Base— Problems Noted, Improvements Needed

NSIAD-85-91, 07/19/85

Background

Pursuant to a congressional request, GAO reviewed hazardous waste management practices at Tinker Air Force Base (AFB), Oklahoma.

Findings

GAO found that: (1) the base has been selling, transferring, or disposing of hazardous wastes rather than recycling them, as required by Department of Defense (DOD) waste management policies; (2) an industrial waste treatment plant at the base was not being used to full capacity; (3) rather than repairing a damaged portion of the treatment plant that could handle certain chemicals, the base is using the Defense Property Disposal Service to dispose of them; (4) poor management of the plant has led to equipment problems, supply shortages, inadequate written policies, and improper collection, storage, and analysis of waste samples; (5) the base is not in compliance with

regulations implementing the Resource Conservation and Recovery Act; (6) inadequate environmental monitoring on the base has caused the contamination of all of the major streams that flow across the base; and (7) the base has had problems with overcharges on hazardous waste disposal contracts.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to procure all of the equipment necessary to recycle and reuse hazardous waste and identify other recycling opportunities to reduce hazardous waste generation at Tinker AFB.

Status: Action in process. Estimated completion date: 04/87. The Air Force is pursuing various efforts, including waste segregation and recycling, to

minimize the generation of hazardous waste. Most recycling equipment should be in place by December 1986. Some equipment is already in place creating savings. In addition, Tinker AFB has changed one of its cleaning processes which will reduce waste and create significant savings in the future.

The Secretary of Defense should direct the Secretary of the Air Force to change operational procedures at Tinker AFB to better segregate hazardous wastes to facilitate recycling or reuse.

Status: Action in process. Estimated completion date: 04/87. Efforts are underway to improve waste segregation, including providing better equipment, facilities, and training for those using or handling hazardous materials and waste. Tinker AFB expects to complete this effort by April 1987.

The Secretary of Defense should direct the Secretary of the Air Force to make better use of the industrial waste treatment plant at Tinker AFB to reduce the quantities of hazardous waste requiring disposal off base.

Status: Action in process. Estimated completion date: 06/87. DOD has undertaken a study of the plant's operation to determine how it can be best utilized, including treatment of additional quantities. Completion of the study and implementation of its recommendations is expected to be completed by June 1987.

The Secretary of Defense should direct the Secretary of the Air Force to exercise greater caution in the selection of disposal sites at Tinker AFB to reduce potential DOD liability for environmental damage caused by their operations.

Status: Action in process. Estimated completion date: 06/87. Tinker AFB awarded new disposal contracts that require it to approve disposal sites prior to use. This contract procedure was intended to help prevent DOD liability for environmental damage. However, GAO is currently determining whether one contractor is disposing of material at an approved site.

The Secretary of Defense should direct the Secretary of the Air Force to improve monitoring of the disposal activities of hazardous waste disposal contractors at Tinker AFB.

Status: Action in process. Estimated completion date: 06/87. At the suggestion of GAO, Tinker AFB has recovered \$50,000 from the contractor for overcharges. Increased emphasis has been initiated on contractor monitoring and a new system for quality control instituted. An additional \$75,000 is under investigation by the Justice Department and resolution of the outstanding claims should be complete by June 1987.

Pollution Control and Abatement

EPA's Sanctions Policy Is Not Consistent With the Clean Air Act

RCED-85-121, 09/30/85

Background

Pursuant to a congressional request, GAO reviewed: (1) the legality and appropriateness of the sanctions policy adopted by the Environmental Protection Agency (EPA) for communities that fail to meet air quality standards imposed by the Clean Air Act; and (2) the effects of a longstanding construction ban in communities that failed to meet air quality standards before the deadline imposed by the act.

Findings

EPA has the authority under the act to impose sanctions against communities that fail to meet the act's requirements, including: (1) banning construction or modification of factories or other facilities that would be major pollution sources; and (2) reducing EPA or federal highway grants for activities that might contribute to increased pollution.

GAO found that: (1) for states and communities that missed a December 1982 deadline, EPA decided to call for revised air quality implementation plans and set new deadlines; (2) subsequently, Congress prohibited EPA from imposing sanctions in states that had submitted implementation plans, whether or not the plans would result in air quality improvements; and (3) EPA has not changed its sanction policy, which could be a violation of the act because it does not impose automatic sanctions on communities that fail to meet the act's requirements. In addition, GAO found that construction bans that were imposed on communities that failed to meet 1978 and 1979 implementation deadlines have had little effect because: (1) the sluggishness of the economy during the period in question caused a decline in planned construction; (2) EPA originally designed the ban so that it would have limited applications; (3) some companies were able to design and construct facilities that emitted pollutants at acceptable rates; and (4) a

large percentage of air pollution comes from sources other than factories and buildings.

Open Recommendations to Agencies

The Administrator of EPA should either: (1) develop and implement a policy to provide sanctions for areas not attaining air quality standards by the deadlines specified in the Clean Air Act; or (2) seek relief through proposed legislation from the applicable Clean Air Act provisions which GAO believes require the imposition of such sanctions.

Status: Recommendation valid/action not intended. EPA does not agree with the legal basis for the recommendation. Congress will act on sanctions when it amends the Clean Air Act.

Pollution Control and Abatement

EPA's Strategy To Control Emissions of Benzene and Gasoline Vapor

RCED-86-6, 12/18/85

Background

Pursuant to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) decision to regulate benzene emissions through controls on automobile refueling.

Findings

GAO noted that: (1) EPA based its decision to control benzene emissions on risk assessments that evaluated the relationship between benzene exposure and the potential occurrence of leukemia; (2) the health, emission, population, and modeling data EPA used were based on assumptions; (3) EPA did not consider three relevant health studies completed between 1981 and 1983 because it believed that the studies would not significantly change its benzene health assessment; (4) EPA emission data showed that three plants were using benzene to manufacture a product used in making plastics and

chemicals, but only one plant was actually using benzene at the time EPA issued its final decision; and (5) EPA updated some information that changed its estimate of risk to the public, but it was not significant enough to change its 1983 decision. GAO found that:

(1) as of October 1985, EPA did not have written guidance detailing how quantitative risk assessment values are developed for hazardous air pollutants; (2) EPA plans to control automobile refueling emissions will be based on a decision as to whether nationwide or local controls should be implemented; (3) California and the District of Columbia have implemented controls on gasoline pumps in the absence of EPA regulations for controlling refueling vapor; (4) if the risk from gasoline vapor and/or benzene is not significant, EPA could require controls only in those areas not in compliance with EPA ozone standards; and (5) more than 2 years will be required for implement-

ing the automobile refueling control options.

Open Recommendations to Agencies

To improve EPA cost-effectiveness analysis used to help determine the best alternative for controlling automobile refueling vapor emissions, the Administrator, EPA, should direct that range values be provided to reflect the various uncertainties inherent in its cost-effectiveness analysis.

Status: Action in process. EPA plans to implement this recommendation for future cost-effective analysis. GAO is planning to update its study on this issue and will determine whether it was implemented.

Pollution Control and Abatement

Hazardous Waste: Environmental Safeguards Jeopardized When Facilities Cease Operating

RCED-86-77, 02/11/86

Background

Pursuant to a congressional request, GAO determined the extent to which: (1) owners and operators of hazardous waste facilities have declared bankruptcy and thereby avoided paying closure and post-closure costs for their facilities; (2) financial assistance

requirements ensure that sufficient funds will be available to close and provide post-closure care at these facilities; (3) facilities that cease operations are inspected for compliance with closure requirements; and (4) the Environmental Protection Agency (EPA) and states are taking enforcement action for violations of those requirements.

Findings

GAO found that: (1) according to state and territorial officials, 74 hazardous waste facilities have filed for bankruptcy; (2) while bankruptcy law provides for the enforcement of environmental regulations over creditor claims, various courts have given EPA and state environmental interests equal

status with other unsecured creditors, thereby hindering efforts to force responsible parties to properly close their facilities; (3) in cases it reviewed, courts restricted EPA or state efforts to obtain proper closures in three cases; (4) it could not assess the adequacy of new EPA and state financial assurance requirements that are designed to ensure that hazardous waste firms are strong enough to pay closure and post-closure costs; and (5) it is difficult for states to assess the financial condition of interstate hazardous waste facility operators. GAO also found that: (1) about 37 percent of the facilities that EPA inspected either during or after closure violated EPA regulations; (2) only 46 percent of the operators in states it reviewed had submitted financial assurance documents; (3) 34 percent of the financial assurance statements submitted were deficient; and (4) in many cases, EPA did not take

adequate enforcement actions against operators with financial assurance or closure violations.

Open Recommendations to Agencies

The Administrator, EPA, should monitor and periodically reevaluate hazardous waste facility closures and the implementation of corrective action activities to ensure that the trust fund and the financial test are providing adequate assurance that funds will be available.

Status: Action not yet initiated. EPA agreed that a periodic reevaluation should be performed to determine the validity of the financial test and trust fund. This reevaluation is scheduled

for fiscal year (FY) 1988 and will be based on a representative sample of facilities. However, EPA does not agree that continuous monitoring is necessary once validation has occurred.

The Administrator, EPA, should develop and implement a system for providing a centralized review of all multi-state financial tests.

Status: Action not yet initiated. EPA supports the general thrust of this recommendation, which is to ensure that the review of financial tests recognizes that companies may have facilities in more than one state. In FY 1988, EPA plans to review the adequacy of its policy/guidance on financial tests regarding multistate companies.

Pollution Control and Abatement

Identifying and Removing Wines Contaminated With Diethylene Glycol

RCED-86-112, 03/04/86

Background

In response to a congressional request, GAO reviewed federal agency actions in dealing with the contamination of imported wines with the industrial chemical diethylene glycol (DEG), particularly with Austrian wines where the contamination was more significant.

Findings

GAO found that both the Food and Drug Administration (FDA) and the Bureau of Alcohol, Tobacco and Firearms (BATF) may regulate and prohibit the marketing of contaminated or mislabeled imported wines; however, neither BATF nor FDA routinely test imported wines for the presence of toxic substances or contaminants. In an effort to have all Austrian wines currently being marketed in the United

States tested for DEG, BATF required that importers and wholesalers have samples of all Austrian wines under their control tested in private laboratories, but the success of the testing is unknown since BATF did not identify which importers and wholesalers sold and distributed Austrian wines or which Austrian wines were currently being marketed in the United States. BATF tests of wines from 70 countries indicated that DEG was only found in Austrian, West German, and Italian wines and in varying amounts. However, unlike the Austrian wines, BATF did not stop the German and Italian wines at entry ports nor properly test them for DEG. Although BATF is authorized to halt any sales of wines containing DEG, it relied on importers and wholesalers to remove contaminated wines from the market, but it did not verify that the wines were removed

or require reports on removal actions. In addition, it did not seek an FDA assessment to determine what amount of DEG would represent a significant health risk. GAO believes that the government needs to provide an appropriate degree of assurance that the wines with DEG in amounts representing a risk would be identified and removed from the market.

Open Recommendations to Agencies

The Secretary of the Treasury should direct the Director, BATF, to: (1) consult with the Commissioner, FDA, to determine whether the actions taken by BATF in sampling, testing, and having wines contaminated with the

industrial chemical DEG removed from the marketplace were adequate to protect the public health and safety and take whatever action is warranted as a result of these consultations; and (2) use the results of such consultations to develop appropriate policies and procedures for working with FDA regarding any future contamination of alcoholic beverages.

Status: Action not yet initiated. BATF reported that it will meet with FDA, but it has not yet done so.

The Director, BATF, should report to the appropriate oversight committees, as well as to the House Committee on Government Operations, on the results of these consultations and any actions taken.

Status: Action not yet initiated. On September 17, 1986, BATF notified the committees of the actions it took or plans to take in response to this recommendation. The consultation with FDA is planned, but has not been accomplished.

Pollution Control and Abatement

Pesticides: EPA's Formidable Task To Assess and Regulate Their Risks

RCED-86-125, 04/18/86

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) assessment and regulation process for the health and environmental effects of pesticides.

Findings

GAO noted that EPA: (1) has not received test and evaluation data on the adverse health and environmental effects of most of the currently registered pesticide products; (2) may conduct a special review to determine the risks and benefits of potentially hazardous pesticides to decide if regulatory action to cancel or restrict the pesticides is needed; and (3) is responsible for determining the maximum amount of pesticide residue that can be safely left in foods, the risks of the inert ingredients that propel, dilute, or stabilize the active ingredients, and the cancer-causing potential of pesticides. GAO found that EPA: (1) will continue its reassessment and reregistration efforts into the next century because of the magnitude and complexity of the tasks involved; (2) is implementing changes to speed up its special review process; (3) is experiencing difficulty in obtaining test data on the effects of some inert ingredients; and (4) has encountered legal inconsistencies with respect

to the allowable uses of cancer-causing pesticides in variable situations.

Open Recommendations to Congress

Congress may wish to consider the advantages and disadvantages of alternatives for accelerating reregistration. Among some possible alternatives, Congress may wish to consider: (1) shifting the burden to industry to identify and submit data missing from EPA files or no longer valid or adequate by contemporary scientific standards; (2) setting reasonable deadlines for the generation and review of health and environmental tests for older pesticides on the market; and (3) providing EPA with additional resources to expedite the pace of reassessing older pesticides and reviewing the volume of industry-submitted health and environmental studies that EPA expects to receive in the coming years as a result of its efforts to call in needed data. User fees under consideration by EPA might be one method of funding the additional resources.

Status: Action in process.

Congress may wish to consider the advantages and disadvantages of the

following alternatives for regulating carcinogenic food-use pesticides: (1) amending the Federal Food, Drug and Cosmetic Act (FFDCA) and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) to prohibit the setting of tolerances and all food uses of carcinogenic pesticides, in raw agricultural commodities and as food and feed additives, to require EPA to revoke the existing tolerances for carcinogenic pesticide residues, and to cancel the pesticide registration of these uses; and (2) amending FFDCA to lift the Delaney Clause's ban on carcinogens as it relates to pesticides and instead specify that either a risk-benefit or minimal-risk approach be used for setting tolerances for all food uses of carcinogenic pesticides.

Status: Action not yet initiated.

Congress may wish to consider the following alternatives: (1) requiring EPA, in its FIFRA-mandated annual report to Congress, to include information on the status of registrants' compliance with the conditions imposed for each of the conditional registrations of new pesticides granted during preceding years; and (2) amending FIFRA to limit conditional registrations of new pesti-

cide active ingredients without complete testing by defining "in the public interest" in a restrictive or limited manner.

Status: Action in process.

Congress may wish to consider the advantages and disadvantages of: (1) providing EPA with additional resources to allow it to more quickly review studies and data related to on-going special reviews, and to meet future increases in the special review work load anticipated by EPA; and (2) setting deadlines for completion of special reviews, or for some or all of the special review phases, which recognize the complexities of special reviews, and the resource requirements necessary to meet such deadlines. This alternative should be considered in conjunction with the other GAO suggestion on resources for accelerating pesticide reregistration.

Status: Action in process.

Open Recommendations to Agencies

The Administrator, EPA, should cancel registrations of those products whose labels are not in compliance with registration standard requirements. Should the Administrator determine that statutory authority is needed to more efficiently implement label requirements, the Administrator should develop and submit to Congress the appropriate legislative language to achieve this objective.

Status: Action in process. Estimated completion date: 12/86. EPA sought additional explicit authority to simplify the cancellations of registrations of products whose labels are not in compliance with registration standards. The House and Senate Agriculture Committees drafted amendments to the pesticide law addressing this recommen-

dation, but the changes were not enacted. EPA will pursue other means for best achieving compliance with standards.

The Administrator, EPA, should conduct a pilot test to determine whether registrants can successfully review existing data to identify and replace inadequate or invalid studies and the EPA ability to successfully oversee registrant data submissions. Further, the Administrator should consider the results of the pilot study in determining whether and how to accelerate reregistration by further shifting the burden to industry to fill gaps in tests on existing pesticides.

Status: Action taken not fully responsive. EPA completed a pilot study in fiscal year (FY) 1985 involving registrants of 31 non-food use pesticides. In FY 1986, EPA is conducting a pilot study to evaluate another approach to shifting the reregistration burden to the industry. These two pilot studies address only part of the reregistration process. Neither of these pilots involves the review and evaluation of existing studies.

The Administrator, EPA, should develop and publish a policy concerning tolerance setting for carcinogenic pesticides, including criteria on how it decides whether to grant or deny such tolerances, and allow for public comment.

Status: Action in process. Estimated completion date: 12/86. EPA requested the National Academy of Sciences to study the impact of the Delaney Clause, zero cancer risk, on EPA pesticide decisions and expects a report in the late summer of 1986. The study is examining administrative and legislative remedies or options for a consistent policy concerning tolerance setting for carcinogenic pesticides.

The Administrator, EPA, should examine means to more readily obtain health and environmental effects test data on inerts. This should include examining an easing of the FIFRA confidentiality provision and requesting from Congress any such additional authority needed to achieve this objective. This action may facilitate sharing the cost of generating data among pesticide registrants of inerts, while also providing some degree of continued protection of trade secrets of pesticide formulations.

Status: Action in process. Estimated completion date: 12/86. EPA issued and is implementing a draft strategy for regulating inert ingredients. EPA has also requested, from Congress, amendments to the pesticide law to clarify its authority to require the testing of inerts and to simplify the process for listing potentially hazardous inerts on labels. EPA is initiating a process to facilitate sharing confidential data among registrants of inerts.

The Administrator, EPA, should: (1) review outstanding conditional registrations of new pesticide active ingredients; (2) determine what progress is being made by registrants to develop and submit the required health and environmental effects test data; and (3) take appropriate action, such as suspending or cancelling the pesticide registration, in those cases where the registrant has not made reasonable progress to comply with the conditions imposed on the conditional registrations.

Status: Action in process. Estimated completion date: 12/87. EPA is developing an automated data base for tracking outstanding data requirements for conditional registrations. EPA expects the system to be on-line later in 1986. Beginning with its 1987 annual report to Congress, EPA will include information on the status of conditional registrations.

Pollution Control and Abatement

Nonagricultural Pesticides: Risks and Regulation

RCED-86-97, 04/18/86

Background

In response to congressional requests, GAO reported on the Environmental Protection Agency's (EPA) efforts to determine the: (1) risks associated with the use of nonagricultural pesticides; (2) extent of public information concerning such risks; and (3) requirements for professional pesticide applicators to protect the public from misuse.

Findings

The chronic health risks associated with nonagricultural pesticides are uncertain, in part, because EPA has not reassessed them in accordance with current standards. GAO found that EPA: (1) as of September 30, 1985, had done preliminary assessments on 18 of the 50 chemicals and found that, for 17, it did not have enough chronic toxicity data to complete the assessments; and (2) does not plan to require chronic toxicity testing of all nonagricultural chemicals because it believes that exposure to some pesticides is not significant enough to cause chronic effects in humans, regardless of their toxicity. Environmental groups believe that pesticide labels should state that chronic health risks have not been fully assessed, so that the public can make better choices about pesticide use. However, industry representatives oppose public disclosure because they fear adverse effects on the industry. The Insecticide, Fungicide, and Rodenticide Act authorizes EPA to take enforcement action against pesticide manufacturers' claims that pesticides are safe, but EPA has taken few such actions.

The Federal Trade Commission (FTC), under its authorizing legislation, can act against distributor and applicator claims, but FTC believes that EPA is better able to handle such claims, because of its expertise and specific legislative authority.

Open Recommendations to Congress

Because it may be several decades before EPA assesses the chronic health risks of nonagricultural pesticides, Congress may wish to consider whether pesticide labels should state that EPA has not assessed the pesticides' chronic health risks in accordance with current standards.

Status: Action not yet initiated.

Congress may wish to consider whether: (1) the public should be notified when public places are treated with pesticides; and (2) the federal government should have a role in ensuring that the public is notified.

Status: Action not yet initiated.

Open Recommendations to Agencies

If the Administrator, EPA, does not have the resources to act against unacceptable safety claims by pesticide distributors, he should inform Congress, so

it can decide whether to authorize additional resources, or grant EPA relief from this enforcement responsibility.

Status: Recommendation valid/action not intended. EPA stated that it will not devote resources to search for violations, but it will act against violators when it learns of violations.

The Administrator, EPA, should seek an arrangement between EPA and FTC for controlling unacceptable safety claims by professional pesticide applicators. If additional resources are needed, Congress should be so informed.

Status: Action not yet initiated. EPA said it will seek an arrangement with FTC, but it gave no indication of when this process will begin.

The Administrator, EPA should: (1) encourage states that do not have unrestricted pesticide applicator control programs to institute such programs; and (2) develop a model pesticide applicator control program for voluntary use by the states.

Status: Action taken not fully responsive. EPA stated it will continue to encourage states to implement training and other programs to upgrade the competency of all pesticide users. EPA does not plan to develop a model pesticide applicator control program for use by states.

Pollution Control and Abatement

Improvements Needed in Developing and Managing EPA's Air Quality Models

RCED-86-94, 04/22/86

Background

In response to a congressional request, GAO reported on the Environmental Protection Agency's (EPA) use of air quality models in carrying out the requirements of the Clean Air Act, specifically: (1) the accuracy, adequacy, and cost of the models; (2) the problems and limitations arising from uncertainties associated with the models; and (3) the appropriateness of an agreement between EPA and its contractor for developing a utility-sector air quality analysis model.

Findings

GAO noted that: (1) EPA is currently evaluating the accuracy of its air quality models and modifications to reduce the level of uncertainty; (2) EPA needs to develop more refined models to fully

implement and monitor the air pollution programs under the act; (3) more refined models, are more costly; and (4) EPA entered into a cooperative agreement, which does not require delivery of a product, rather than a contract, to obtain a utility-sector model. GAO found that: (1) EPA models overestimated pollutant concentrations, resulting in industry spending millions of dollars on unnecessary pollution control equipment, replacement fuel, and studies to justify increased emissions; (2) EPA does not have the number of models it needs to properly administer the requirements of the act; (3) the costs of developing a model range from \$50,000 to several million dollars; and (4) a new utility-sector analysis model that was approved for development in 1980, and was expected to be completed in 1983, has not yet been developed.

Open Recommendations to Agencies

The Administrator, EPA, should implement a policy that provides guidance on what procurement mechanism should be used in various situations. The guidance should include the stipulation, to the extent possible, that contracts, rather than cooperative agreements, be used to obtain new computer models.

Status: Action in process. EPA stated that it has recently drafted a proposed chapter for its assistance administration manual. It will note that contracts must be used in obtaining computer models for the agency's direct benefit and use.

Pollution Control and Abatement

Hazardous Waste: Responsible Party Clean Up Efforts Require Improved Oversight

RCED-86-123, 05/06/86

Background

In response to a congressional request, GAO reviewed cleanup activities at priority hazardous waste sites, specifically: (1) the number, estimated value, and purpose of settlement agreements between the Environmental Protection Agency (EPA) and responsible parties; and (2) how well EPA is overseeing responsible-party compliance with the settlement terms.

Findings

GAO found that: (1) approximately half of the settlements were for long-term site cleanup activities and cleanup work was valued at \$417 million; (2) the purpose of the settlement agreements was to ensure that responsible parties either perform cleanup activities at hazardous waste sites or reimburse the government for cleanup at the sites; and (3) no formal guidelines or procedures exist for project managers to oversee settlement activities and enforce deci-

sions and, therefore, cause delays in identifying and resolving problems.

Open Recommendations to Agencies

To adequately ensure that responsible parties comply with settlement conditions and cleanup goals, the Administrator, EPA, should strengthen the EPA settlement oversight function

by providing project managers with: (1) guidance and procedures on work load management, on how to organize, prioritize, and perform duties and responsibilities, and how to use quality assurance reviews; and (2) procedures and standards for oversight recordkeeping and reporting, determining settle-

ment noncompliance, and taking appropriate enforcement actions.

Status: Action in process. EPA is taking steps to improve responsible party oversight. Site-by-site contractor support has been provided and new guid-

ance is to be issued. A longer term effort has begun to develop: (1) a comprehensive oversight guidance manual; and (2) a comprehensive management information system to monitor responsible party activities.

Pollution Control and Abatement

Hazardous Waste: Federal Civil Agencies Slow to Comply With Regulatory Requirements

RCED-86-76, 05/06/86

Background

Pursuant to a congressional request, GAO reported on 17 federal civilian agencies' implementation of Resource Conservation and Recovery Act (RCRA) provisions, specifically whether: (1) agencies are identifying and reporting their hazardous waste handlers to the Environmental Protection Agency (EPA) and the states; (2) EPA and the states are inspecting federal facilities to ensure that handlers are complying with RCRA requirements; (3) handlers are complying with RCRA regulations; and (4) enforcement actions are compelling agencies to correct problems.

treatment, storage, and disposal handlers at least once; (4) many of the handlers had violated RCRA requirements; (5) over half of the facilities cited for violations were not in compliance with RCRA requirements 6 months to 3 years later due to limited agency knowledge of the requirements and lack of agency emphasis on the act; (6) in the past year agencies have increased their emphasis on act programs; and (7) EPA plans to expand its inspection coverage of hazardous waste handlers, provide federal agencies with more information on the act requirements, work closer with agencies on the program, and revise its compliance strategy to incorporate specific time frames for issuing compliance orders.

time frames for elevating unresolved problems to EPA headquarters, and is completed on schedule.

Status: Action in process. EPA is revising its federal agency compliance strategy to include the recommended time frames. No date has been set for finalizing the strategy.

The Administrator, EPA, should increase monitoring of handler identification programs. Such monitoring should include, but not be limited to, periodic reviews or assessments of agency progress in identifying handlers. Where deficiencies are found, the Administrator should work with agency heads to implement needed improvements.

Findings

GAO found that: (1) the agencies identified 247 waste handlers and were confident that they had identified the most significant waste handlers and reported them to EPA or the states; (2) several agencies estimated that numerous facilities need evaluation; (3) agencies had inspected all of the major

Open Recommendations to Agencies

The Administrator, EPA, should ensure that the federal agency environmental compliance strategy includes specific

Status: Action taken not fully responsive. Although EPA is being partially responsive to this recommendation, no further action will be forthcoming.

Pollution Control and Abatement

Hazardous Waste: DOD's Efforts To Improve Management of Generation, Storage, and Disposal

NSIAD-86-60, 05/19/86

Background

GAO reviewed the Department of Defense's (DOD) progress in managing hazardous waste generation, storage, and disposal at its U.S. installations, specifically: (1) the extent to which the facilities are meeting hazardous waste requirements under the Resource Conservation and Recovery Act of 1976; (2) the Defense Logistics Agency's effectiveness in disposing of waste and constructing storage facilities; and (3) the progress made in reducing the volume of hazardous waste that requires disposal.

Findings

GAO noted that DOD: (1) gave its services, commands, and installation commanders the authority to achieve compliance under the act; (2) requires audits of installations' compliance; and (3) will measure the services' success in implementing DOD policies and programs. GAO found that: (1) over half the facilities and 90 percent of the generators inspected were not in compliance with the act; (2) some installations stored hazardous waste for too long because contractors did not pick up the waste in a timely fashion or defaulted on their contracts, or DOD failed to issue delivery orders; (3) construction of storage facilities is behind schedule; and (4) DOD is not operating waste treatment plants at full capacity.

Open Recommendations to Agencies

The Secretary of Defense should monitor the implementation of the new policy to ensure that, in practice, it succeeds in providing the services, commands, and installations with the authority and flexibility needed to accomplish DOD goals and the requirements of the act with regard to the generation, storage, and disposal of hazardous waste.

Status: Action in process. DOD is reviewing its regulations in total to see how they need to be changed. The proposed changes will include the new policy.

Pollution Control and Abatement

EPA Program To Assist Leaded-Gasoline Producers Needs Prompt Improvement

RCED-86-182, 08/06/86

Background

In response to a congressional request, GAO reviewed: (1) certain Environmental Protection Agency (EPA) management controls over its Lead Rights Banking Program; and (2) the program's legal basis.

Findings

GAO found that EPA: (1) controls the program primarily through its reviews of participants' reports; (2) has not established a requirement to verify the reported data; (3) received erroneous

information from participants on the amount of lead used in production and gallons of leaded gasoline produced; (4) is developing a methodology for audit participants to verify reported data and to ensure compliance with program requirements; (5) has no complete, current data on the balance of lead rights available for use through the end of the program in 1987; (6) has not enforced regulations regarding the 25 potential banking requirements violations; and (7) expects to implement enforcement action once it finalizes its lead rights banking enforcement policy.

Open Recommendations to Agencies

The Administrator, EPA, should establish specific time frames to develop: (1) a methodology for auditing refiners to verify reported data and ensure compliance with program requirements, and initiate such audits promptly; and (2) an enforcement policy, including the identification of program violations, enforcement actions to be taken, and the penalties to be assessed, and take

appropriate actions against identified program violators.

Status: Action not yet initiated. EPA has not responded as of December 3, 1986.

The Administrator, EPA, should: (1) require periodic reviews or assessments of agency actions being taken to expedite the review, processing, and reconciliation of refiners' reports; and (2) take other actions, such as providing additional staff and/or further modify-

ing computer capabilities, if satisfactory progress is not being made.

Status: Action not yet initiated. EPA has not responded as of December 3, 1986.

Pollution Control and Abatement

Key Unanswered Questions About the Quality of Rivers and Streams

PEMD-86-6, 09/19/86

Background

GAO reviewed and combined the findings of several studies on issues affecting national water quality policies and assessed the technical strength of their methodologies, specifically: (1) the present condition of the nation's water quality; (2) how the water quality has changed over time; (3) what pollution sources degrade water quality; and (4) the effect of the Environmental Protection Agency's (EPA) Construction Grants Program on water quality.

Findings

GAO found that: (1) some of the nation's water is of fairly good quality, while other water remains polluted; (2) pollution control efforts have reduced the discharge of conventional water pollutants from sources of focused pollution; (3) there was no change in water quality for most of the rivers examined; (4) the water quality in many rivers and streams has remained the same despite population and economic growth; (5) sources of diffused water

pollution may degrade more stream-miles than sources of focused pollution; and (6) although the Construction Grants Program has reduced the discharge of pollutants from wastewater treatment plants, there is no data on its effect on in-stream pollutants. GAO also found that the effect on water quality is difficult to determine due to: (1) the absence of any analysis of a national sample of projects funded by the program; (2) the lack of data and analysis directly linking the funding of construction grants to in-stream water quality; and (3) the lack of information and analysis to rule out explanations for changes in water quality associated with nonpoint-source and point-source pollution.

Open Recommendations to Agencies

The Administrator, EPA, should perform methodologically sound research that will allow a comparison of the cost-effectiveness of the Construction Grants

Program with other abatement possibilities, such as industrial point-source control and nonpoint-source abatement programs.

Status: Action not yet initiated. The report was released publicly on October 20, 1986. EPA still has time to respond.

The Administrator, EPA, should encourage the states to use multiple measures and standardized objective data in preparing information for future section 305(b) and States' Evaluation of Progress reports. The states might identify the sources of critical data, indicating, for example, whether their data were derived from objective physical, chemical, or biological measures, subjective judgments by experts, or a combination of these.

Status: Action not yet initiated. The report was released publicly on October 20, 1986. EPA still has time to respond.

Pollution Control and Abatement

Better Sampling and Enforcement Needed on Imported Food

RCED-86-219, 09/26/86

Background

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) efforts to protect the public from exposure to illegal pesticide residues in imported food.

Findings

GAO found that: (1) the FDA pesticide monitoring program provides limited protection against public exposure to illegal residues in food; (2) FDA samples less than 1 percent of 1 million imported food shipments annually; (3) FDA inspectors at various ports of entry decide the extent to which they apply sample criteria; and (4) FDA uses five multi-residue tests that individually detect many pesticides on a single sample; however, FDA laboratories normally use only one method for each sample. GAO also found that: (1) although FDA policy requires importers to maintain all sampled shipments intact until FDA determines that the product is residue-free, FDA permits importers to release the majority of sampled shipments to U.S. markets before they spoil; (2) of 164 adulterated samples, 73 were not recovered before public consumption; and (3) there were only eight documented cases where FDA assessed importers damages when adulterated food reached the marketplace.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the

Commissioner, FDA, to: (1) redirect resources away from highly sampled commodities with low violation rates to provide coverage of a wide range of imported commodities and importing countries, using a comprehensive monitoring summary to assist in the analysis; and (2) improve monitoring of importers and commodities with histories of pesticide violations by continuing follow-up sampling and certification requirements through successive growing seasons.

Status: Action not yet initiated. The Department of Health and Human Services (HHS) will not have the opportunity to decide on corrective action until after the end of November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to assess the relative merits of the alternative means to obtain information on actual foreign pesticide use, including current legislative and regulatory authority, and: (1) require U.S. pesticide manufacturers who export pesticide chemicals to foreign countries to report the pesticides and quantities sold overseas; (2) require importers of food to certify which pesticides were used during production; and (3) develop cooperative agreements with foreign countries for the exchange of information on pesticide uses in food production.

Status: Action not yet initiated. HHS will not have the opportunity to decide on corrective action until after the end of November 1986.

As better information becomes available on foreign pesticide uses, the Secretary of Health and Human Services should direct the Commissioner, FDA, to test imported food for the pesticides used or suspected of being used on imported foods.

Status: Action not yet initiated. HHS will not have the opportunity to decide on corrective action until the end of November 1986.

The Secretary of Health and Human Services should direct the Commissioner, FDA, to recommend to Customs that liquidated damages be assessed for all shipments found to contain illegal pesticide residues if the shipment is not recovered. This assessment should apply whether the shipment was sampled under surveillance or compliance.

Status: Action not yet initiated. HHS will not have the opportunity to decide on corrective action until the end of November 1986.

The Secretary of the Treasury should direct the Commissioner of Customs to assess and collect liquidated damages from importers in all cases when FDA determines that imported food has been adulterated with illegal pesticide residues and the food is not recovered.

Status: Action not yet initiated. Treasury will not have the opportunity to decide on corrective action until the end of November 1986.

Recreational Resources

Better Management of National Park Concessions Can Improve Services Provided to the Public

CED-80-102, 07/31/80

Background

Pursuant to a congressional request, GAO discussed the management of concession operations by the National Park Service (NPS).

is given little or no consideration in approving the rates.

notice that the August 1985 procedures will remain in effect until others are developed. NPS expects new procedures in December 1986.

Open Recommendations to Agencies

Findings

GAO found that concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, they do not need additional legal advantages. By using single concessioners to provide the services in a park, NPS has limited its options for requiring improvement without seriously disrupting service to the public. As a result, NPS does not take necessary corrective actions. GAO also found that concession rates are not always studied, justified, or documented before approval, and the quality of facilities

The Secretary of the Interior should require the Director, NPS, to develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts. The new system should be: (1) easily understood with a minimum amount of subjective analysis required so that NPS concession personnel may apply it properly; (2) thoroughly supported and documented; and (3) reviewed periodically to determine if changes are needed.

The Secretary of the Interior should require the Director, NPS, to develop specific criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, if the new ratesetting system allows adjustments to rates based on pertinent economic factors.

Status: Action in process. Estimated completion date: 12/86. NPS sent its proposed procedures for setting concessioner franchise fees out for comment in August 1985. Comments due October 7, 1985, were reviewed and NPS issued a

Status: Action in process. Estimated completion date: 12/86. NPS sent its proposed procedures for setting concessioners franchise fees out for comment in August 1985. Comments due October 7, 1985, were reviewed. NPS issued a notice that the August 1985 procedures will remain in effect until others are developed. NPS expects new procedures in December 1986.

Recreational Resources

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed

CED-81-61, 04/22/81

Background

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent

limitation on the use of project funds to defray the costs of data recovery, increase the role of state historic preservation programs, and clarify federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major impacts on archeological sites, the operations of five state historic preservation offices,

and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation (ACHP).

Findings

The National Archeology Program, which costs about \$100 million a year,

is not working well. The Department of the Interior must provide better leadership and direction to federal agencies and states. Without better guidance, some federal agencies could spend billions of dollars over the next 10 to 30 years for archeological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies which could avoid duplication and save money. State historic preservation offices could help federal agencies determine which properties have state and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Open Recommendations to Agencies

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems,

including improved dissemination of archeological reports to the National Technical Information Service so that information can be made available to the archeological profession and federal, state, and local officials in a decision-making capacity.

Status: Action in process. Interior has provided other federal agencies guidelines on how to establish its own accounts for submitting reports to NTIS. In 1984, Interior also undertook a three-phase effort to develop and implement a National Archeological and Cultural Resource Data Base. Interior expects to have this data base completed and accessible to other federal agencies by the end of FY 1989.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems, including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments, so that program effectiveness can be monitored and reported to Congress.

Status: Action in process. To meet its obligation to report to Congress annually, Interior sent a questionnaire to all applicable federal agencies in June 1986, requesting them to submit data on their FY 1985 archeological activities. It expects to have this data tabulated by the end of December 1986. Interior drafted revisions to 36 C.F.R. 66, which Interior will use to fulfill its responsibilities to Congress.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems, including the specific circumstances and extent to which agencies are required to

excavate sites outside a project's direct impact area.

Status: Action in process. Draft regulations revising 36 C.F.R. 66 are being prepared by Interior. Interior expects to publish the proposed rules in the Federal Register in March 1987.

The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects.

Status: Action in process. USDA issued new management directives calling for surveys to be done on all Forest Service lands subject to impacts. A servicewide review of the implementation of these directives showed that some lands with low resource activities and those picked up through land exchanges were not being surveyed. New management directives are being prepared.

The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how federal agencies are to conduct surveys and investigations to locate and identify archeological properties.

Status: Action in process. GAO concern in this area has been addressed through the preparation of standards and associated guidance, which were published in the Federal Register. Interior has also prepared guidelines for agencies to carry out their responsibilities under section 110 of the National Historic Preservation Act. These guidelines were published in the Federal Register in March 1986.

Recreational Resources

Illegal and Unauthorized Activities on Public Lands—A Problem With Serious Implications

CED-82-48, 03/10/82

Background

GAO reviewed the federal role in providing outdoor recreation in California and Oregon.

Findings

GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marijuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service lands. Field officials of the National Park Service (NPS) are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the

land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation.

Open Recommendations to Agencies

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.

Status: Action in process. Estimated completion date: 12/86. All of the Forest Service regions have completed bringing the Law Enforcement Management and Reporting System (LEMARS) online. About 75 percent of the regions are now reporting crime information through the system and the Forest Service is working to get the other regions to start reporting information through the LEMARS system by December 1987.

Target: Department of Agriculture

Status: Action in process. Estimated completion date: 12/86. Interior's systems are being developed by various agencies. For example, BLM adopted its California State office system as the mainframe for a national system. The developmental phase of the system was scheduled for completion by October 1, 1986, but this date was not met because of insufficient funds. However, funds have been secured for FY 1987.

Target: Department of the Interior

Recreational Resources

Increasing Entrance Fees: National Park Service

CED-82-84, 08/04/82

Background

GAO conducted a review to estimate National Park System entrance fees using the criteria in the Land and Water Conservation Fund Act of 1965, as amended, to determine whether it was appropriate for Congress to reconsider its fee moratorium.

Findings

A 1979 congressional moratorium has prevented the National Park Service (NPS) from raising entrance fees at 333 units in the National Park System, in spite of rising operating costs and inflation. Between 1971 and 1981, NPS operation and maintenance costs per visitor rose 149 percent while entry fee revenues per visitor declined 30 percent. As a result, entry fee revenues declined from over 7 percent of NPS operation and maintenance costs in 1971 to about 2 percent of those costs in 1981. During the same period, inflation rose by 129 percent. Using a unit-day-value method, GAO determined that the recreation benefits at six major park

system units have a daily value ranging from \$7.64 to \$11.40 for a family of four. However, daily entrance fees at these parks only average about \$3.00 per vehicle. Using the six legislative criteria as guidelines, GAO estimated that NPS could generate net additional revenues of \$18 million at 48 of the 71 units which GAO reviewed. GAO also estimated that NPS could generate an additional net income of \$2.7 million by extending fee collection hours at 14 parks. The responsibility for setting park entrance fees rests with the Secretary of the Interior. GAO agrees with proposed legislation which would repeal the moratorium on initiating and increasing park entrance fees and remove the \$10 limit on the price of the Golden Eagle Passport, which allows unlimited entry to all parks for the calendar year.

Open Recommendations to Congress

Congress should repeal section 402 of Public Law 96-87, which froze all

national NPS entrance fees at their January 1, 1979, level and prohibited collecting entrance fees at any additional units.

Status: Action taken not fully responsive.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Director, NPS, to set the price of the Golden Eagle Passport based on the levels of fees set at individual parks.

Status: Action taken not fully responsive. The Department of the Interior's FY 1987 appropriation allows NPS to increase the price of the Golden Eagle Passport to \$25 for 1 year. NPS plans to announce the price increase in the Federal Register on December 31, 1986.

Recreational Resources

National Park Service Needs a Maintenance Management System

RCED-84-107, 06/01/84

Background

Pursuant to a congressional request, GAO examined the potential for increased efficiency and effectiveness in maintaining the national park system.

Findings

The National Park Service (NPS) spends millions of dollars annually to maintain the buildings, roads, bridges, monuments, hiking trails, and utility systems on the more than 79 mil-

lion acres of developed and undeveloped land which comprise the national park system. GAO visited nine national park system units in 1983 and found that attention had not always been given to systematically maintain-

ing facilities and that NPS had not provided adequate maintenance policy, guidance, or training. At seven of the parks visited, GAO found that park superintendents were not determining or requesting the funding needed to properly maintain park assets, properly accounting for maintenance resources, or assessing the efficiency and effectiveness of their maintenance activities. Superintendents at these seven parks agreed that they did not have the necessary information about their maintenance operations and did not know whether their maintenance activities were effective or efficient. NPS has estimated that the cost of developing and implementing an effective maintenance management system would be less than \$10 million. GAO believes that the cost of such a system could be justified by the large annual NPS maintenance budget, the current maintenance problems, and the potential to recapture development and implementation costs through reduced maintenance costs, increased productivity, and other benefits.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Director, NPS, to design, test, and implement in the national park system a maintenance management system which includes the key management elements discussed in this report. To help in designing a system, NPS officials may want to obtain information from organizations such as Parks Canada which have maintenance management systems in operation.

Status: Action in process. Estimated completion date: 06/89. The task force consulted extensively with Parks Canada, and NPS contracted with consultants for the development of pilot systems at two parks. On October 10, 1985, NPS issued a request for proposals for a contract to design, test, and assist in the implementation of a servicewide system. NPS awarded a 3-year contract on June 18, 1986.

The Secretary of the Interior should direct the Director, NPS, to develop NPS guidelines on the system and processes needed to properly manage maintenance in the parks.

Status: Action in process. Estimated completion date: 12/86. The contract, awarded in June 1986, requires the contractor to develop NPS guidelines on the system and processes needed to manage maintenance in the parks.

The Secretary of the Interior should direct the Director, NPS, to develop a training program which focuses on planning, organizing, directing, and reviewing activities associated with a maintenance system and ensure that maintenance managers and other appropriate park and regional personnel receive the training.

Status: Action in process. Estimated completion date: 03/87. The contract, that NPS awarded in June 1986, requires the contractor to develop a training program and provide training to key NPS personnel.

Recreational Resources

Law Enforcement Capability and Cost Comparisons at Two Recreation Areas

RCED-86-40, 03/07/86

Background

In response to congressional requests, GAO reported on the: (1) ability of park rangers to adequately provide visitor and resource protection; and (2) comparative personnel compensation, benefits, and pension costs of park police and rangers.

Findings

GAO found that, based on their law enforcement training and performance: (1) commissioned park rangers are capa-

ble of providing visitor and resource protection at Gateway and Golden Gate National Recreation Areas; (2) park police and commissioned park rangers receive training in similar areas, but park police training is more extensive; and (3) park police and commissioned park rangers also must handle similar law enforcement offenses such as homicide, rape, robbery, and assault. GAO also found that, in 1984: (1) law enforcement costs were about \$2.3 million at Gateway and \$1.7 million at Golden Gate for 84 park police and 34 commissioned park rangers; and (2) if the 84 park police had been replaced by

91 commissioned park rangers, personnel compensation and benefits costs at the two parks may have been reduced by \$740,338. According to National Park Service (NPS) officials, if the 30 park police positions were eliminated, NPS: (1) would have saved \$802,314 in annual recurring personnel compensation and benefits costs and \$3.2 million in pension costs with an additional \$40,000 to \$1.2 million in annually recurring pension costs; and (2) might have incurred \$199,381 in training expenses, but relocation expenses would have decreased from \$2.94 million to \$2.44 million.

Open Recommendations to Agencies

The Secretary of the Interior should assess the difficulties in recruiting, retaining, and obtaining off-federal-parkland law enforcement authority for commissioned park rangers at Golden Gate and Gateway. In addition to the

enforcement capabilities and cost information, the results of the assessment should provide Congress with adequate information on the consequences of shifting the work force from park police to park rangers.

Status: Action in process. NPS requested information from the California and New York State leg-

islatures regarding actions needed to secure law enforcement authority for its commissioned park rangers. New York will take the question up in its next legislative session. California has not yet responded. No further actions have been undertaken pending the outcome of this query.

Water Resources

Wastewater Dischargers Are Not Complying With EPA Pollution Control Permits

RCED-84-53, 12/02/83

Background

GAO reviewed compliance with and the effectiveness of the National Pollutant Discharge Elimination System (NPDES).

Findings

NPDES was established by the Clean Water Act to limit the type and amount of pollution that a municipal or industrial facility may legally discharge into the nation's waterways. Under NPDES, discharge permits are issued, and GAO found that noncompliance with permit limits was widespread, frequent, and significant. Specifically, GAO estimated that 82 percent of the major dischargers sampled in six states exceeded their monthly average pollution permit limits at least once during an 18-month period and that 31 percent of

those dischargers exceeding their limits were in significant noncompliance during that period. GAO stated that current enforcement practices allow noncompliance to continue for long periods and that thousands of dischargers have not been issued permits or hold expired permits. GAO noted that federal funding of water quality programs has significantly declined in recent years.

Open Recommendations to Agencies

The Administrator, Environmental Protection Agency (EPA), should determine to what degree limited resources contribute to continued high noncompliance and enforcement problems in the permit program and present this analysis to Congress for its considera-

tion in determining whether additional resources should be provided to improve the program's effectiveness.

Status: Action in process. Resource needs are being analyzed by EPA.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should require EPA regional offices and encourage the states to follow-up in a timely manner on missing and incomplete discharge monitoring reports.

Status: Action in process. EPA is drafting guidance that appears to be responsive to this recommendation.

Water Resources

Bureau of Reclamation's Bonneville Unit: Future Repayment Arrangements

RCED-86-103, 03/07/86

Background

Pursuant to a congressional request, GAO reviewed the repayment arrangements for various reclamation projects, and asked the Department of the Interior's Assistant Secretary for Water and Science to respond to several issues regarding the Central Utah Project's Bonneville Unit.

Findings

The Assistant Secretary stated that: (1) the 1965 supplemental repayment contract with the water district allowed for the use of the Water Supply Act of 1958 and provided that it would be applicable to the repayment of allocated costs of municipal and industrial (M&I) water when there is an anticipated demand; (2) the Bureau intended to allow a 10-year deferment of repayment costs for facilities already completed; (3) the Bureau decided to use ad valorem tax revenues from the district's property owners for M&I payments; and (4) a 1984 change in the cost allocation was not final and did not require formal congressional approval. GAO continues to believe that: (1) the Bureau's use of the act to defer portions of M&I costs was illegal and could result in the federal government losing millions of dollars in interest revenues; (2) the Bureau's use of ad valorem tax revenues from property owners to increase the Bonneville Unit's

M&I repayment obligation under the 1965 contract was improper since that money was already dedicated to irrigation repayment; and (3) the Department of Energy Organization Act of 1977 requires congressional approval of the modified cost allocation, because it would reduce the interest collected on repayment since the cost allocated to electric power is repaid with interest and the cost allocated to irrigation is repaid without interest.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to: (1) work with the Central Utah Water Conservancy District to revise the supplemental repayment contract between the Bureau and the district to eliminate any inappropriate deferment of the repayment of construction costs and interest; and (2) not use the funds made available for the Bonneville Unit by the Energy and Water Development Appropriation Act, 1986 until the supplemental repayment contract has been appropriately revised.

Status: Action taken not fully responsive. P.L. 99-591, signed by the President on October 30, 1986, contains a provision that the District shall pay

principal and interest on those features of the Central Utah Project, which develop municipal and water supply without benefit of the deferral under the Water Supply Act of 1958.

To inform Congress more fully, the Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to immediately provide Congress with an explanation of why the modified procedure was developed, how it was developed, and what effect it will have on allocated costs and repayment. Further, to comply with the requirements of the Department of Energy Reorganization Act of 1977, the Secretary should seek congressional approval for this modification.

Status: Action taken not fully responsive. Interior does not intend to implement this recommendation because it disagreed with the findings and conclusions. Interior did admit, however, that it could do a better job on highlighting the normal year-to-year fluctuations in cost allocations, and that it will make every effort to ensure that any changes, which do not require formal congressional approval, are clearly presented.

Water Resources

Water Resources: Legislation Needed To Extend the Life of Confined Disposal Facilities

RCED-86-145, 08/12/86

Background

In response to a congressional request, GAO reviewed the status and use of confined disposal facilities that the Army Corps of Engineers built on the Great Lakes, specifically: (1) whether the facility in Kenosha, Wisconsin, should be closed; (2) the location and status of all confined disposal facilities that the Corps has built since 1970, local government and private sector use of the facilities, and the use for other than dredged contaminated material; and (3) remedies proposed by other communities whose facilities were not filled within the 10-year statutory period.

Findings

GAO found that: (1) the Corps should close the facility at Kenosha after 10 years unless the community agreed to an extension to keep the facility open; (2) as of May 1985, the Corps had constructed 24 facilities on the Great Lakes since 1970, of which it would

probably not fill 17 within the 10-year statutory period; (3) 2 of the facilities were completely full, 9 were between 57- and 97-percent full, and 13 were less than 50-percent full; (4) local governments or the private sector used 8 of the facilities; (5) only two communities permitted facilities to be used for other than contaminated dredgings; and (6) no communities have proposed remedies to the Corps for unfilled facilities.

Open Recommendations to Agencies

If the Corps determines that continued use of existing unfilled confined disposal facilities for more than 10 years is necessary to hold contaminated dredgings, the Secretary of Defense should direct the Chief of Engineers to propose legislation amending Public Law 91-611 to allow the Corps to use such facilities beyond 10 years until filled, if local communities agree to the extension.

Status: Action in process. The Army has initiated action to include, in its civil works legislative program, proposed legislation to clarify that the Corps of Engineers' authority to fill a confined disposal facility is not limited to a particular time period.

If the Corps determines that continued use of existing unfilled confined disposal facilities for more than 10 years is necessary to hold contaminated dredgings, the Secretary of Defense should direct the Chief of Engineers to develop alternatives to dispose of contaminated dredgings where communities do not agree to the extension.

Status: Action in process. The Army and the City of Kenosha, Wisconsin, executed a memorandum of understanding, dated September 2, 1986, which provides for the incremental turnover of the excess fill capacity of the Kenosha confined disposal facility to the City.

Nondiscrimination - Equal Opportunity Programs

Uniform Guidelines on Employee Selection Procedures Should Be Reviewed and Revised

FPCD-82-26, 07/30/82

Background

The Uniform Guidelines on Employee Selection Procedures describe the federal government's position on how tests should be used in making employment decisions which are consistent with federal equal employment opportunity (EEO) laws. This review was made because GAO believes that the guidelines: (1) are important to EEO enforcement; and (2) have been publicly criticized by some of their users. The objective of the review was to determine whether those responsible for administering the guidelines and those who use them were experiencing any problems in their application.

Findings

In the opinion of GAO, the importance of the guidelines to EEO enforcement is not at issue. On the basis of the preponderance of views and experience expressed to GAO, it believes that the guidelines can have a major role in ensuring compliance with the spirit and intent of federal EEO laws. While revisions to the guidelines' technical provisions could be postponed until after the new American Psychological Association (APA) standards are published, beginning the review now could prevent unnecessary delay between issuance of those standards and any revisions.

Open Recommendations to Agencies

The Equal Employment Opportunity Commission (EEOC) should initiate a review of the guidelines and revise

them. This effort should include coordinating the review of the technical provisions with the joint committee revising APA standards.

Status: Action in process. EEOC adopted a resolution directing its staff to prepare changes to the recordkeeping provision of the guidelines. It voted to review the substantive provisions. The review is now being done in light of recent court decisions. The Chairman plans to submit proposed changes to the commissioners by December 1986. The EEOC study is underway, with an anticipated completion date of April 1987.

EEOC should examine the problems associated with: (1) collecting and maintaining adverse impact data; (2) searching for alternatives during validation; and (3) the relationship of merit laws to the guidelines.

Status: Action in process. Estimated completion date: 12/86. NPRM will address collecting and maintaining adverse impact data. EEOC stated its current review will encompass all relevant issues, including searching for alternatives during validation and the relationship of merit laws to the guidelines.

EEOC should determine how to make the guidelines more understandable to their users.

Status: Action in process. EEOC stated that making the guidelines more understandable is an objective of the current review.

The Office of Personnel Management should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of Justice should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of Labor should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of the Treasury should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Procurement - Other Than Defense

Status of Prior GAO Recommendations on Selected District of Columbia Procurement Activities

GGD-86-64BR, 04/14/86

Background

Pursuant to a congressional request, GAO: (1) reviewed the status of recommendations it made to the District of Columbia (D.C.) Government concerning procurement matters; and (2) attempted to determine whether any national standards exist for local government procurement.

Findings

GAO found that: (1) while the University of the District of Columbia (UDC) attempted to improve compliance with its procurement procedures, about 23 percent of its fiscal year 1985 procurement transactions were noncompliant; (2) an internal UDC audit identified a number of common instances of noncompliance; and (3) UDC personnel continued to initiate a large number of unauthorized procurements. GAO also found that the D.C. Department of Administrative Services has: (1) revised its procurement reporting system; (2) strengthened its procurement procedures to require more competitive procurements; and (3) drafted standard contract option clauses. In addition, GAO found that, while the D.C. Public Schools (DCPS) took a number of actions to reduce noncompetitive procurement, they have not been successful because DCPS has not: (1) made effective use of inventory control systems; (2) reduced the use of blanket purchase agreements; (3) improved planning to reduce emergency purchases; or (4) timely completed property

and equipment inventories at DCPS facilities.

Open Recommendations to Agencies

The Board of Trustees, UDC, should take the steps necessary to ensure that established procurement policies and procedures are followed. Such steps should include taking appropriate disciplinary action.

Status: Action taken not fully responsive. UDC took steps to apprise employees of the need to comply with procurement policies and procedures, but has not set any criteria for determining when disciplinary action would be appropriate. To date, no disciplinary actions have been taken against UDC employees who have not followed procurement policies and procedures.

The Superintendent, DCPS, should direct the Division of Buildings and Grounds to process requests for materials and supplies in a timely manner through normal procurement channels.

Status: Action in process. Estimated completion date: 07/87. The DCPS Buildings and Grounds Division is operating under procedures used by the Logistical Support Division to improve warehouse management and inventory accountability. Additional staff and vehicles are to be brought on to improve delivery of materials to the work sites.

The Superintendent, DCPS, should direct the Division of Buildings and Grounds to collect the information necessary to perform needs assessments and use the needs assessments to maximize the practice of obtaining common-use items through normal competitive procurement purchases.

Status: Action in process. Estimated completion date: 03/87. A consultant has been hired to collect data for an assessment. Over-the-counter purchases were reduced by 31 percent. Due to inadequate warehouse space and lack of an automated reorder system, further reductions now would impair the maintenance system. DCPS plans a further reduction in the purchases by March 1988, and blanket purchase agreements will be eliminated by January 1987.

The Superintendent, DCPS, should direct responsible school officials to complete physical inventories in a timely manner.

Status: Action in process. Estimated completion date: 12/86. Initial inventories have been completed at all schools. Four persons were hired to do spot check inventories which are continuing. Presently under development is a directive establishing cyclical inventory schedules for DCPS; a draft directive has been completed. Planned date for implementation of this directive is January 1987.

ADP Equipment: Revised GSA Strategy for Microcomputer Purchases Can Improve Competition

IMTEC-86-20, 05/15/86

Background

Pursuant to a congressional request, GAO reviewed the federal government's use of Office of Technology Plus (OTP) computer stores to: (1) investigate the desirability and feasibility of using one or more service contracts to provide federal users with the same types of services OTP offers; and (2) determine whether government microcomputer efforts should be revised relative to the present OTP procurement strategy.

Findings

GAO determined that: (1) it is not desirable to use service contracts to provide the same types of services that OTP offers because of the potential

increase in administrative costs to the agencies; and (2) agencies have an incentive to use OTP even though other procurement sources could potentially meet their needs at a lower cost. GAO believes that the government's objective of satisfying its automatic data processing requirements through full and open competition could be enhanced if it revises its strategy for procuring microcomputer products and services by: (1) creating a procurement method that would increase the ability of retailers to compete with OTP, which would increase competition on about \$22 million in microcomputer procurements; and (2) lowering the OTP maximum order limitation from \$100,000 to \$50,000, which would increase competition on about \$9 million in microcomputer procurements.

Open Recommendations to Agencies

The Administrator of General Services should establish a multiple-award schedule to provide responsible microcomputer retailers an opportunity to compete for the government's business.

Status: Action in process. Estimated completion date: 04/87. The General Services Administration (GSA) plans to issue a Sources Sought Announcement in November 1986, to determine retailer interest in participation in a Retail Multiple Award Schedule (RMAS) and allow GSA to make a judgment on the feasibility of RMAS. If feasible, an award will be made in April 1987.

Transportation

Air Transportation

Serious Problems Concerning the Air Traffic Control Work Force

RCED-86-121, 03/06/86

Background

GAO reported on its study of the air traffic control (ATC) work force. GAO: (1) surveyed air traffic controllers, supervisors, and facility managers about the prevalence of certain problems; and (2) studied Federal Aviation Administration (FAA) data on staffing, overtime, and air traffic activity.

Findings

GAO found that: (1) the ATC system is operating with fewer controllers overall, and far fewer fully qualified controllers (FPL), than before the August 1981 controllers' strike; (2) while FAA has established a 75-percent FPL staffing goal for all ATC facilities, only 66 percent of the total controllers are FPL; (3) FAA groups FPL and less qualified controllers together when it reports on the size of the work force and its progress toward meeting staffing goals; (4) training attrition has increased 9 percent since the strike; and (5) many more controllers may retire in the next 2 years than FAA expects because of concern over proposed changes in the federal retirement system. GAO also found that: (1) air traffic has reached record levels and is expected to continue to grow; (2) controller work loads will continue to be a source of concern because major labor-saving innovations in the ATC system will not be in place for some time; (3) many controllers believe that they are overworked because of a shortage of FPL, inadequate traffic flow control procedures, airline schedules, and ATC sector configuration changes; (4) while FAA reported that systemwide overtime use decreased, overtime use at major route ATC centers actually increased;

and (5) FAA relies very heavily on overtime to compensate for reduced staffing requirements. GAO believes that, despite repeated FAA assurances to the contrary, the ATC system does not provide the same level of safety as it did before the strike.

Open Recommendations to Agencies

FAA should impose restrictions on air traffic until both the number of FPL and overtime requirements meet its goals. Problems relating to both the number of FPL and overtime are most acute at the air route traffic control centers and FAA must recognize this in deciding what restrictions to impose.

Status: Recommendation valid/action not intended. The status of the ATC system and the level of FAA staffing have improved to the point that additional restrictions on air traffic are unwarranted.

FAA should take into account the concerns of its controllers, supervisors, and facility managers, and reduce the total amount of time controllers are spending at radar control positions during a shift and the amount of time they are working without some sort of break during normal busy periods.

Status: Action not yet initiated. FAA is reminding all facility managers to adhere to FAA policy regarding time-on-position limits and is using GAO provided data to identify problem facilities. However, actual corrective actions intended and/or taken, based on the

analysis of the data, are unknown at this time.

FAA should take into account the concerns of its controllers, supervisors, and facility managers, and work with controllers and their supervisors to change sector configurations where sectors are handling too much traffic or are too complex. FAA should also evaluate the effectiveness of its flow control program.

Status: Action not yet initiated. FAA is reviewing GAO-provided data to identify facilities where controllers and supervisors identified the lack of sectors as a problem and states that sectorization programs will be reviewed accordingly. However, actual corrective actions intended and/or taken are unknown at this time.

FAA should also evaluate the effectiveness of its flow control program.

Status: Action not yet initiated. FAA is using GAO provided data to identify facilities where the flow control program was criticized by controllers and supervisors. However, actual corrective actions intended upon completion of the analysis are unknown at this time.

FAA should include controllers and supervisors in the process of deciding how to improve management concerns.

Status: Action not yet initiated. FAA states that it will evaluate its facility advisory boards and human relations committees to identify which ones have had good results and the reasons why. Further action will depend on the evaluation results, but FAA intentions are unknown at this time.

To more clearly report its progress in meeting its goals, FAA should report its staffing progress in terms of the ratio of fully qualified controllers to the controller work force, exclusive of air traffic assistants, and report overtime use for controllers actually working

overtime and the variations in total usage among centers.

Status: Action taken not fully responsive. FAA agreed to redefine the controller work force and report staffing progress in the manner recom-

mended, but it will do so for only one of a number of congressional committees. Reporting to the other committees will remain unchanged. Also, it is unclear what FAA actually will do regarding reporting on overtime usage.

Air Transportation

Airline Competition: Impact of Computerized Reservation Systems

RCED-86-74, 05/09/86

Background

Pursuant to a congressional request, GAO examined the effects of airline-owned computerized reservation systems (CRS) on competition in the airline industry, focusing on: (1) conflicting studies on CRS profitability conducted by two CRS-owning airlines and a consultant; and (2) a Department of Justice report on the structure and performance of the CRS market.

will earn no incremental revenues for the period after CAB implemented its regulations; and (3) while the study was flawed, its conclusion that the two airlines underestimated potential CRS profitability was accurate. In addition, GAO found that Justice reported that: (1) the CRS market will probably remain highly concentrated, with the two largest airline-owned systems controlling about 70 percent of all domestically booked travel revenue; (2) the prospects for a new entry into the CRS market are slim unless a competitive group buys out a smaller CRS and attempts to make it more competitive; and (3) CRS-owning airlines could still use their market power to increase booking fees for airlines using their systems.

Status: Action in process. The Department of Transportation (DOT) is evaluating the availability of data.

The Secretary of Transportation should report to the concerned committees of Congress on the results of the studies and any actions planned.

Findings

GAO found that: (1) a group of airlines has charged that the airlines that own the two largest systems have used them to create an unfair competitive advantage; (2) before the now-defunct Civil Aeronautics Board (CAB) promulgated CRS rules in 1984, systems used biased screens which displayed the owning airlines' flights first in the listings of available flights; and (3) other airlines have charged that CRS-owning airlines also charge unreasonably high rates to competitors for CRS participation and use information gained from their systems to gain an unfair advantage. GAO also found that: (1) the consultant study reported that the two airlines underreported the profitability of their systems; (2) the consultant overestimated potential CRS incremental revenues for the two airlines, but the airlines erroneously determined that they

Status: Action not yet initiated. DOT will decide what to do after it evaluates the impact from affected and interested parties.

To assess the possible persistence and size of incremental revenues, DOT should study the behavior of individual travel agents who subscribe to different CRS vendors in the post-rule period.

Status: Action in process. DOT is evaluating the availability of data.

Open Recommendations to Agencies

The Secretary of Transportation should undertake the two studies regarding the persistence of incremental revenues and the effect of booking fees on competition, and take additional action, if warranted by the results of the studies, to enforce compliance with or to strengthen the CRS rules.

To assess the anticompetitive effects of booking fees, DOT should examine the potential anticompetitive effects of these fees in specific types of air travel markets. The study should also examine the likely impacts of possible remedies to the anticompetitive effects of booking fees.

Status: Action in process. DOT is evaluating the availability of data.

Air Transportation

FAA's Advanced Automation System Acquisition Strategy Is Risky

IMTEC-86-24, 07/08/86

Background

GAO reviewed the Federal Aviation Administration's (FAA) acquisition of the Advanced Automation System (AAS) to determine whether it is a technically and economically sound investment.

Findings

GAO found that: (1) the current FAA AAS acquisition strategy does not adequately mitigate technical risks and does not provide for suitable operational simulation of the advanced automation features; and (2) AAS, as currently planned, may not be economically justified. GAO believes that the FAA strategy has unacceptably high risks and may result in significant cost increases, schedule delays, and performance deficiencies. GAO also believes that: (1) a fixed price for untested hardware may result in higher costs because the contractor's risk may be reflected in higher fixed prices to compensate for the system's unproven producibility; (2) requirement changes to correct performance problems can lead to significant additional costs even in a fixed-price contract; (3) software which constitutes a major portion of the AAS development and cost risk will be developed using a cost-plus type contract; and (4) having

only one contractor during the concurrent development, test, and production phase limits risk-reduction opportunities typically achieved through cost and technical competition.

Open Recommendations to Agencies

The Secretary of Transportation should direct FAA to revise its AAS acquisition strategy to incorporate a contract phase to develop and operationally test prototype models of critical components under realistic conditions before the decision and contract award are made for full production quantities. At a minimum, critical components should include the controller workstations, en route hardware and software, and the local communications network.

Status: Action in process. In October 1986, FAA and the Department of Transportation (DOT) proposed to restructure the AAS program to address concerns about testing prior to production commitment. However, their new strategy separates vendor selection from production commitment and, thus, does not appear to resolve the GAO concern about the lack of information/insufficient testing when competition is terminated.

The Secretary of Transportation should direct FAA to reexamine AAS features and requirements to identify the most inexpensive and cost-effective alternatives and to revalidate requirements before proceeding to the development and testing phase.

Status: Action in process. In October 1986, FAA and DOT informed GAO that AAS features are being reviewed for cost-effectiveness. A review by the GAO Information Management and Technology Division (IMTEC) is currently underway, which includes an evaluation of the FAA effort.

The Secretary of Transportation should direct FAA to verify the benefit estimates and the operational suitability of Aera 1 and Aera 2 functional enhancements by operational simulation as soon as is practicable and before proceeding with full-scale production.

Status: Action not yet initiated. Operational simulation of Aera 1 and 2 were not specifically addressed in the high-level briefings provided to GAO. A review by IMTEC is currently underway, which includes an evaluation of FAA efforts in this area.

Ground Transportation

Changes to the Motor Vehicle Recall Program Could Reduce Potential Safety Hazards

CED-82-99, 08/24/82

Background

GAO reported on the motor vehicle recall program's safety defect investigation process and its owner response rates. The National Highway Traffic Safety Administration (NHTSA), which administers the program, conducts defect investigations of approximately 50 to 70 percent of the recalled motor vehicles, and the motor vehicle industry voluntarily initiates investigations of the remaining recalls. Since 1966, about 128 million motor vehicles, tires, and other related replacement items have been recalled because of safety defects. GAO reviewed the recall program to determine if: (1) NHTSA could hasten its safety defect identification process; and (2) the number of owners responding to recalls could be increased.

Findings

GAO found that NHTSA investigations often take years to complete, while vehicles continue to be exposed to possible safety deficiencies. The average time for each case in the NHTSA Office of Chief Counsel is approximately 14 months. As a result of delays, information to support some case findings often

has to be updated. GAO also found that about 50 percent of the owners notified of potential safety defects do not take their vehicles in for inspection and/or correction. A 1980 survey indicated that some owners do not respond to recalls because they do not perceive the defect as a problem or do not believe the recall is important. GAO believes that the reason behind those perceptions and beliefs could be that the recall letters are too difficult for many owners to understand.

Open Recommendations to Agencies

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to change the wording and format in a recall letter to lower its reading level and test the revised letter in an actual recall to determine its effectiveness in increasing response rates.

Status: Action in process. Estimated completion date: 12/86. The Associate Administrator for Enforcement stated that research was completed on this

recommendation and that the tests did not show much improvement in the recall response rate. NHTSA is also considering and testing another change which may increase the recall response rate. If both changes are appropriate, they would be made in a single regulation revision.

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to test various reminder techniques in actual recalls to determine whether they increase response rates and are cost-effective.

Status: Action in process. Estimated completion date: 12/86. The Associate Administrator for Enforcement stated that research testing was completed on this recommendation and showed that post card notifications resulted in a 2- to 4-percent improvement in the recall response rate. He said that DOT does not have the authority to require such notifications, so NHTSA may request legislation providing that authority.

Ground Transportation

Value Engineering Has the Potential To Reduce Mass Transit Construction Costs

RCED-83-34, 12/29/82

Background

Millions of dollars in federal, state, and local construction funds can be saved by applying value engineering (VE) to the designs of construction projects funded by the Urban Mass Transportation Administration (UMTA). GAO conducted this review to determine: (1) how effective VE would be when applied to heavy rail and bus construction projects; and (2) whether VE could produce greater savings than the UMTA peer review on one aspect of a proposed subway station.

Findings

Most transit authorities that receive UMTA funds lack the technical expertise to design projects. To obtain this capability, they hire architectural/engineering firms. Because the firms design facilities to satisfy the requirements of transit authorities, the cost to construct the facilities may be greater than necessary. The design plans are evaluated by UMTA regional engineers for cost-effectiveness, safety, and technical

feasibility. However, UMTA officials and architectural/engineering representatives acknowledge that UMTA does not have enough engineers to adequately review designs. Unlike VE, peer review does not include use of a job plan, analysis of the functional requirements of a system before recommendations are made, or use of formal criteria and guidelines. UMTA believes that peer reviews held during the conceptual and informational stages of project development have saved millions of dollars in construction costs. For fiscal years 1965 through 1981, UMTA has provided about \$18 billion in capital grants to local transit authorities to construct and rehabilitate rail and bus facilities, which included \$7.5 billion for rail and \$1.5 billion for bus projects. The remaining funds were used to purchase rolling stock and equipment and for similar purposes. In fiscal year 1981, obligations for UMTA capital programs totalled about \$2.9 billion; \$866 million was used for bus and \$2 billion for rail projects. GAO believes VE can significantly reduce construction costs as demonstrated in VE workshops and by other federal agencies.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to ensure that construction contracts include a VE incentive clause when implementing the program.

Status: Action in process. The Office of the Secretary approved a contract for development of VE guidelines.

The Secretary of Transportation should direct the Administrator of UMTA to limit its peer review program to the conceptual and informational phases of major construction projects and complement it with VE during the early design and construction phases of such projects.

Status: Action in process. The Office of the Secretary approved a contract for development of VE guidelines.

Ground Transportation

Cost Effectiveness of Life-Cycle Process in Buying Transit Vehicles Questionable

RCED-83-184, 09/01/83

Background

GAO discussed the Urban Mass Transportation Administration's (UMTA) procedure that requires federally funded transit systems to use life-cycle costs when buying transit vehicles.

use of the life-cycle cost process should be questioned because of the additional costs involved.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, UMTA, to develop research and demonstration projects with selected transit systems to keep operating and maintenance cost records for the vehicles bought to determine the validity of the cost projections used in making the contract award.

Status: Action in process. Estimated completion date: 12/86. DOT has initiated a project to collect maintenance and operating cost records for 30 articulated buses. The project is expected to be completed in December 1986.

The Secretary of Transportation should direct the Administrator, UMTA, to develop research and demonstration projects with selected transit systems to identify ways to overcome the obstacles to using the life-cycle cost procurement process by addressing the problems of the availability of adequate data, selection of verifiable cost factors, failure to consider the present value of the projected costs, development of fair evaluation processes, and expertise needed to adequately evaluate cost projections.

Status: Action in process. Estimated completion date: 12/86. DOT contracted for a study of obstacles using the life-cycle cost process. UMTA has received the consultant's report, is now analyzing the results, and expects to issue a final report by the end of December 1986.

Findings

GAO found that major obstacles inhibit this process, resulting largely from: (1) transit systems' failure to prove that such procurement decisions are cost effective; and (2) a lack of adequate information, resources, or technical expertise for transit systems to effectively use the process. Further, transit systems have not adequately documented performance costs for the vehicles purchased to assess the validity of the cost projections. GAO believes that, if performance projections cannot be effectively confirmed, the continued

Ground Transportation

The Outdoor Advertising Control Program Needs To Be Reassessed

RCED-85-34, 01/03/85

Background

Pursuant to a congressional request, GAO provided information on the effectiveness of the outdoor advertising control program, which was established by the Highway Beautification Act of 1965.

ing signs have been removed to enhance the natural beauty of the nation's highways. However, many prohibited signs are still standing and are likely to remain, because federal funds are not being appropriated to compensate sign owners for their removal, as required by the act. GAO concluded that either additional federal funding or a change in the compensation requirement of the act will be required to meet the act's goals.

Open Recommendations to Congress

Congress should reassess the outdoor advertising control program, weighing the program's goal and requirements against program costs and, if warranted, consider changes to the goal and requirements which reflect an appropriate level of funding.

Status: Action in process.

Ground Transportation

Stronger Enforcement Would Help Improve Motor Carrier Safety

RCED-85-64, 09/05/85

Background

GAO reviewed the motor safety enforcement program that is carried out by the Federal Highway Administration's (FHWA) Bureau of Motor Carrier Safety, focusing on the extent of the Bureau's oversight of such activities as: (1) the selection of motor carriers and shippers for safety audits; (2) assessment of motor carriers' and shippers' safety compliance; (3) the correction of deficiencies identified by safety audits; and (4) a new program to provide grants for state safety enforcement activities.

Findings

GAO found that: (1) while the Bureau provides safety investigators with a carrier audit selection priority list, it does not require them to use it; (2) the priority list allows deviations for third-party complaints, accidents involving carriers not on the list, or other unusual circumstances; (3) the Bureau's regional offices use different criteria and judgment in selecting carriers for audit; and (4) the Bureau has not established a similar priority list for shippers. GAO also found that: (1) there was a wide variance among the overall safety ratings recommended by the Bureau's investigators; (2) while investigators may be preparing ratings in accordance with the established criteria, the Bureau has not analyzed the reasons for the differences; (3) there was a wide variance among actions taken by investigators after audits that resulted in unsatisfactory ratings; (4) the Bureau's regional offices do not always comply with processing standards to ensure timely processing of enforcement cases; (5) the

Bureau does not have criteria for ensuring that assessed fines are consistent with the severity of violations found; (6) the Bureau and FHWA do not always adequately document justifications for assessed fines; and (7) the Bureau's organizational structure hampers the effective and uniform implementation of the safety program. In addition, GAO found that, for the grant program, the Bureau has not: (1) developed clear program goals; (2) defined federal and state roles and responsibilities; (3) established program information needs; or (4) developed program evaluation mechanisms.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, FHWA, to develop a prioritized selection list for shippers and implement its use.

Status: Action taken not fully responsive. FHWA considers the development of a shipper selection list an important matter that it intends to do. However, FHWA maintains that other matters of higher priority, such as integrating 150 new inspectors into the work force and managing the expanding grant program, preclude developing such a list in the near future. GAO agreed with FHWA that these other program activities are of higher priority.

The Secretary of Transportation should direct the Administrator, FHWA, to establish procedures for monitoring the

processing of enforcement cases to include the time taken between the various stages in the penalty process, analyzing and comparing time taken to process civil assessment cases, following up when FHWA standards are not met, and taking the necessary corrective actions.

Status: Action in process. FHWA is in the process of developing an enforcement data tracking system to monitor every investigation report initiated by field staff. This system will be capable of following an investigation from its initiation to final processing. Though initially planned for implementation in fiscal year (FY) 1986, implementation will not occur until FY 1987.

The Secretary of Transportation should direct the Administrator, FHWA, to develop a comprehensive federal program process, including: (1) establishing goals and objectives; (2) defining the respective federal and state roles; (3) establishing program information needs; (4) developing monitoring mechanisms; and (5) establishing how the program is to be evaluated on a national scale.

Status: Action in process. FHWA has effected realignments to its state grant program, including revising program guidance, changing its organizational structure, creating a separate office to develop policy and procedures, and establishing training courses. FHWA maintains it will be at least 1 year before all program elements are in place.

Ground Transportation

Highway Funding: Federal Distribution Formulas Should Be Changed

RCED-86-114, 03/31/86

Background

In response to a congressional request, GAO reviewed the statutory formulas used to apportion federal highway funds to the states.

to be consistent with the extent and use of the current system. Changing the factors used in arriving at these apportionment formulas would result in some states receiving more or less funds than under the present formulas.

deleted from the primary and secondary formulas; and (4) lane-miles should be added to the federal-aid urban highway apportionment formula, which is now based only on urban population, to provide a measure of the extent of the urban system.

Findings

More than \$13 billion in highway funds have been apportioned among the states in fiscal year 1986 on the basis of highway formulas enacted by Congress over the years. GAO found that: (1) the factors used in formulas to apportion highway funds should reflect the extent and usage of today's highway system; (2) lane-miles is a direct measure of the size of the road network and should be used to reflect the extent of the system to be preserved; (3) highway use can be measured by both vehicle-miles of travel and motor fuel consumption; (4) each method of measurement has advantages and disadvantages as a formula; (5) the interstate resurfacing, restoration, rehabilitation, and reconstruction program is the only formula currently using a combination of these factors; and (6) the primary, secondary, and urban formulas need to be revised

Open Recommendations to Congress

Congress should revise the factors used in the primary, secondary, and urban formulas as follows: (1) land area, which correlates poorly with the extent of the highway system, should be deleted from the primary and secondary formulas and be replaced with lane-miles, which more closely measures the extent of the highway system; (2) population, either rural or urban, which is an inexact measure of highway use, should be replaced with either vehicle miles of travel or motor fuel consumption, either of which more closely reflects highway use, including changes in such use; (3) postal mileage, which seems to bear no relationship to either the extent of the highway system or its use, should be

Status: Action not yet initiated.

Congress should request that the primary, secondary, and urban formula factors be weighted to reflect road deterioration.

Status: Action not yet initiated.

If Congress wishes to continue to use population in primary, secondary, and urban formulas, the Census Bureau's current state population estimates should be used between decennial censuses to develop annual estimates of urban and rural population.

Status: Action not yet initiated.

Ground Transportation

Auto Safety: Effectiveness of Ford Transmission Settlement Still at Issue

RCED-86-52, 06/10/86

Background

Pursuant to a congressional request, GAO examined the agreement between Ford Motor Company and the

Department of Transportation that closed the National Highway Traffic Safety Administration's (NHTSA) investigation of an alleged transmission defect in certain 1970-79 model year Fords.

Findings

As a result of increased injuries and fatalities due to allegedly faulty Ford automobile transmissions, Ford and

NHTSA entered into an agreement in 1980 to inform Ford automobile owners of the proper parking procedures to use before exiting their vehicles. GAO found that: (1) Ford will monitor the case by collecting incident and fatality data and investigating newly reported fatalities, and will inform consumers about the problem; (2) the NHTSA incident and fatality data analyses are incomplete; and (3) Ford vehicles are not the only ones with faulty transmissions.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, NHTSA, to take further action. GAO identified some options the Secretary may wish to consider; others might also be identified.

Status: Action taken not fully responsive. This recommendation referred to options identified in the report, but it did not urge any specific

option. NHTSA has no plans to implement the action options GAO identified.

The Secretary of Transportation should direct the Administrator, NHTSA, to establish a methodology to both monitor and assess the effectiveness of any negotiated settlement that does not involve a recall.

Status: Action taken not fully responsive. Each such case is unique and would require a tailored program to evaluate. NHTSA has no plans to implement this recommendation.

Other Transportation

Need To Assess Federal Role in Regulating and Enforcing Pipeline Safety

RCED-84-102, 07/10/84

Background

Pursuant to a congressional request, GAO reviewed federal gas and hazardous liquids pipeline safety programs.

Findings

The Department of Transportation's (DOT) goal is to perform a comprehensive annual inspection of each pipeline operator under its jurisdiction. GAO found that, in 1983, DOT performed comprehensive inspections of only 24 percent of these operators. As of April 1984, DOT had 17 regional office inspectors, which GAO believes is insufficient to carry out the agency's inspection and enforcement responsibilities. State participation in pipeline inspection programs is voluntary; therefore, DOT

cannot require the states to maintain their current level of inspection activity, assume responsibility for additional intrastate pipelines, or correct deficiencies in their programs. A number of pipeline facilities and commodities transported by pipeline not currently being regulated by DOT, including rural gas gathering lines, gas service lines, and hazardous liquids storage facilities, may need to be regulated depending on the severity of the associated safety problems. GAO believes that, despite current staffing and resource limitations, DOT can take actions to make its inspection activities more efficient.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, RSPA, to

develop and present to the congressional oversight and appropriations committees, alternatives to redefine the federal role and responsibilities for ensuring the safety of intrastate pipelines, including hazardous liquids pipelines. These alternatives should propose different combinations of responsibilities for intrastate operators not currently under a state's jurisdiction as well as defining the federal responsibility for assessing state agency programs.

Status: Action in process. Estimated completion date: 12/86. A policy paper is being drafted and is scheduled to be completed by December 1986.

Other Transportation

Greater Use of Value Engineering Has the Potential To Save the Department of Transportation Millions in Construction Costs

RCED-85-14, 11/02/84

Background

GAO discussed the potential of value engineering (VE) to reduce costs and the extent that it is currently used in Department of Transportation (DOT) administrations with major construction programs.

Findings

GAO found that, although DOT does not have a policy requiring that VE be used in its construction programs, two of its administrations use this method to a limited extent. DOT believes that VE can produce savings, but it has not required its use mainly because it believes that VE may negatively affect other DOT objectives, such as providing grantees maximum flexibility to implement construction programs. GAO concluded that a flexible VE policy would be consistent with DOT objectives.

Open Recommendations to Agencies

The Secretary of Transportation should establish and implement a policy to require the Federal Highway Administration (FHWA), the Federal Aviation Administration (FAA), the Federal Railroad Administration (FRA), and the Urban Mass Transportation Administration (UMTA) to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing the policy, the Secretary should require that criteria, such as a certain dollar threshold, for selecting projects to be valued

engineered be established by the FAA, FHWA, and UMTA administrators.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, UMTA, and the Coast Guard. It is developing a DOT Order on use of VE by DOT agencies and grantees, which it expects to issue in early 1987.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing the policy, the Secretary should require that VE be performed during the early stage of project design.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, UMTA, and the Coast Guard. It is developing a DOT Order on use of VE in DOT, which it expects to issue in early 1987.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations.

In establishing a policy, the Secretary should require that VE be performed in accordance with generally accepted VE principles, including the use of a multidisciplinary team and a VE job plan.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, UMTA, and the Coast Guard. It is developing a DOT Order on use of VE in DOT, which it expects to issue in early 1987.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that VE be performed either by qualified administration officials or by private firms.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, UMTA, and the Coast Guard. It is developing a DOT Order on use of VE in DOT, which it expects to issue in early 1987.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal

cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that follow-up procedures be established to ensure that approved VE recommendations are implemented.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA,

UMTA, and the Coast Guard. It is developing a DOT Order on use of VE in DOT, which it expects to issue in early 1987.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary

should require that a full-time VE program staff be appointed at the department level.

Status: Action in process. Estimated completion date: 12/86. In October 1985, DOT established a VE review committee from engineering policy staffs of DOT headquarters, FAA, FHWA, UMTA, and the Coast Guard. It is developing a DOT Order on the use of VE in DOT, which it expects to issue in early 1987.

Water Transportation

Management Improvement Could Enhance Enforcement of Coast Guard Marine Safety Programs

RCED-85-59, 08/15/85

Background

GAO reviewed the Coast Guard's management of its safety enforcement actions, specifically its Commercial Vessel Safety Program and its Port and Environmental Safety Program.

Findings

GAO found that the primary data source for deciding the Port and Environmental Safety Program's staffing requirements did not always show correct and consistent work load information. Furthermore, field and district officials placed little emphasis on verifying the reported information. Concerning the quality of the Coast Guard Marine Safety Information System (MSIS), GAO found that: (1) data were not always accurately or consistently entered into the system; (2) Coast Guard headquarters had not provided specific guidance to the field units or conducted any oversight operations to ensure the integrity of data in the system; and (3) four units had not established adequate procedures for ensuring data quality. GAO also found that 10 of the 11 Coast Guard units

which it analyzed were not maintaining a follow-up system to ensure that vessel deficiencies were corrected. In addition, GAO found that the Coast Guard failed to oversee National Cargo Bureau (NCB) inspection activities, and no guidelines had been developed as to what might constitute adequate oversight. Finally, GAO found that 10 field units failed to specify all the items for which Coast Guard regulations require inspection.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Commandant of the Coast Guard to: (1) determine the needed oversight of NCB activities performed on behalf of the Coast Guard; and (2) develop appropriate field unit procedures and reporting requirements similar to those being planned for the American Bureau of Shipping.

Status: Action in process. A proposed change to Commandant Instruction

16616.7 was the first step toward implementing this recommendation. However, this revision was not finalized and was given relatively low priority by the Coast Guard because it was relying less on NCB inspections than in the past.

The Secretary of Transportation should direct the Commandant of the Coast Guard to establish procedures for the districts' marine safety divisions to periodically review the field units' processing of outstanding vessel deficiencies to ensure that they are following up and that corrective action is taken.

Status: Action in process. The long-range MSIS is being expanded to include an automated tickler system for ensuring that vessel deficiencies are tracked and receive follow-up. The District Inspector checklist was amended to include verification; however, Coast Guard headquarters has not determined that all districts have actually implemented this initiative.

Veterans Benefits and Services

Hospital and Medical Care for Veterans

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms

HRD-81-54, 03/03/81

Background

The Veterans Administration (VA) is planning to spend more than \$1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings

In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that not all patients admitted to surgical beds undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the

length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical work load characteristics of each VA center. It showed that VA could handle the surgical work load with 22 fewer operating rooms than planned using the present criterion, a potential \$3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical work load due to this criterion, and savings could be realized if VA made use of less skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Open Recommendations to Congress

Congress should not approve any funding requests for new or replacement

surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical work load.

Status: Action in process. Estimated completion date: 01/87. Because of higher priority work, publication of the first-generation staffing guidelines is not expected to occur until January 1987.

Hospital and Medical Care for Veterans

VA Central Office Needs To Exercise Better Oversight of Cardiac Pacemaker Recalls

HRD-84-33, 04/16/84

Background

GAO reviewed the actions taken by the Veterans Administration (VA) in response to recalls of defective pacemakers.

Findings

The Food and Drug Administration (FDA) has the authority to ban or recall medical devices, including pacemakers, that present "unreasonable risks or sub-

stantial harm," and it informs VA when pacemakers have been recalled. GAO found that, at the VA centers it visited, pacemaker recalls were not effectively managed. GAO learned that the VA computerized pacemaker registry indi-

cated that some recalled pacemakers are still implanted in VA patients. VA guidance regarding pacemakers deals primarily with the removal of recalled pacemakers from stock and has not defined when a recalled pacemaker should be considered critically unreliable. GAO also questioned the accuracy, completeness, and reliability of the computerized pacemaker registry and, therefore, its current usefulness.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish criteria, as part of program guidance, to define when a recalled pacemaker should be considered critically unreliable.

Status: Action in process. VA is revising the circular which contains program requirements.

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise program guidance to require that medical centers: (1) inform patients of pacemaker recalls unless the reasons for not informing the patient are documented in the medical record; and (2) document the actions taken in response to the recall in the patients' medical records.

Status: Action in process. VA is revising the circular which contains program requirements.

The Administrator of Veterans Affairs should direct the Chief Medical Director to identify all VA patients using recalled pacemakers and ensure that: (1) they have been informed of the recall or that the reasons for not informing the patient are documented in the patients' medical records; and (2) all actions taken in response to the recalls are documented in affected patients' medical records.

Status: Action in process. VA is revising the circular which contains program requirements.

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a timetable for development of the clinical pacemaker registry and, in the interim, take steps to improve the completeness and reliability of data contained in the existing registry.

Status: Action in process. A timetable will be established after the program circular is revised.

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a program to monitor the actions taken by medical centers in response to pacemaker recalls.

Status: Action in process. The program circular is being revised.

Hospital and Medical Care for Veterans

VA Needs a Systematic Approach To Assess the Management of Its Outpatient Clinics

HRD-85-15, 12/07/84

Background

GAO reviewed the management of 15 Veterans Administration (VA) outpatient clinics to determine the extent to which Department of Medicine and Surgery (DM&S) officials had established performance standards, collected needed data, and provided the incentives necessary to assess the efficiency of individual clinics.

Findings

GAO found that: (1) DM&S had standards by which the performance of its outpatient clinics was to be assessed,

but clinic managers viewed these standards as outdated, simplistic, and too lenient to use for measuring their clinics' efficiency; (2) DM&S routinely gathered and reported data on clinic performance, but clinic managers experienced problems with the data's accuracy; (3) DM&S had a budget process and a system for evaluating medical center director performance that emphasized the volume of outpatients treated and did not provide incentives for the directors to assess their clinics' performance; and (4) regional directors were responsible for monitoring clinic performance, but they were not doing so effectively. GAO noted that DM&S has begun several actions to correct

these problems, including establishing staffing standards for outpatient care activities, implementing recommendations to improve data reliability, and initiating a new resource allocation system to provide an incentive for managers to ensure that facilities are operating efficiently.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director, DM&S, to: (1) identify, in consultation with central office, region-

al, and outpatient clinic officials, performance indicators needed to measure outpatient clinic efficiency; (2) establish, and update as necessary, generally accepted standards for indicators that central office and regional management officials can use to identify

clinics needing management attention; and (3) require that regional directors substantiate, on a clinic-by-clinic basis, the reason(s) for substantial deviations from the revised performance standards and routinely report such information to the responsible central office officials.

Status: Action in process. Estimated completion date: 12/86. VA proposed changes in program guidance which are being reviewed internally for consistency.

Hospital and Medical Care for Veterans

Better Patient Management Practices Could Reduce Length of Stay in VA Hospitals

HRD-85-52, 08/08/85

Background

GAO reviewed Veterans Administration (VA) hospitals to determine whether VA: (1) was effectively managing its medical and surgical patients; and (2) could more efficiently reduce the length of stay for these patients.

Findings

GAO found that, although the VA central office issued policy guidelines which recommended that more efficient patient management practices be used and recognized throughout the medical community, its hospital managers have not fully implemented them; therefore, many patients are hospitalized longer than necessary. GAO also found that excessive lengths of stay were attributable to surgery scheduling and times scheduled for conducting and providing the results of diagnostic test and consultations because the VA central office has not established performance expectations in those areas. Performance of diagnostic tests before admission, surgery schedules that keep delays to a minimum, and early discharge planning would contribute to more efficient patient management. VA has two methods to monitor whether efficient patient management practices are being used in its hospitals: (1) the utilization review process performed at the hospital level; and (2) the Systematic External Review Program (SERP) conducted at the central office.

However, neither method has been used effectively to reduce the length of patient stays because review personnel sometimes had little or no medical background and the criteria and scope used were often inappropriate. VA believes that implementation of its new resource allocation system will move hospitals toward shorter lengths of stay, more cost-efficient care, greater staff productivity, and greater reliance on alternatives to hospital care.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise current policies to place greater emphasis on reducing surgery delays and turnaround times for diagnostic consultations, tests, and procedures. In making these revisions, the Chief Medical Director should make the current policies and goals more specific, using such guidelines as those developed by the American Hospital Association.

Status: Action in process. VA drafted a policy circular regarding the utilization review issues GAO raised.

The Administrator of Veterans Affairs should direct the Chief Medical Director

to develop reports at the VA central office and at individual hospitals to identify length of stay problems and those responsible for solving them. These reports could include such analyses as: (1) a comparison of length of stay by selected diagnosis categories at each VA hospital; (2) a comparison of length of stay for each physician's patients in a particular medical or surgical specialty; and (3) a list of patients who have been in the hospital for more than 30 days.

Status: Action in process. VA drafted a policy circular regarding the utilization review issues GAO raised.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require hospitals to use explicit patient screening criteria, such as those addressing intensity of care or severity of illness, to evaluate the appropriateness of the level of treatment.

Status: Action in process. VA drafted a policy circular regarding the utilization review issues GAO raised.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require hospitals to conduct all three types of review, concurrent, retrospective, and focused, as part of their utilization review program. Concurrent reviews should be conducted short-

ly after the patient's admission and periodically throughout the patient's stay. Retrospective reviews should be conducted after patients have been discharged so that the hospital can ensure whether such patient management practices as preadmission testing and discharge planning were carried out. Focused reviews should be conducted either concurrently or retrospectively.

Status: Recommendation valid/action not intended. VA contended that each facility should be allowed to decide when and to what degree the reviews should be performed. The revised manual will describe each type of review and allow the centers to choose which to follow.

The Administrator of Veterans Affairs should direct the Chief Medical Director

to include criteria on the key elements of utilization review in the Standards, Criteria, Evaluative Algorithms, and Measuring Instruments. SERP teams should use the criteria when evaluating each hospital's utilization review program.

Status: Action in process. VA drafted a policy circular regarding the utilization review issues GAO raised.

Hospital and Medical Care for Veterans

VA Needs Better Control Over Its Payments to Private Health Care Providers

HRD-85-49, 08/28/85

Background

The Veterans Administration (VA) provides health care to most veterans at its own facilities; however, when circumstances prevent veterans from travelling to VA facilities, VA authorizes them to obtain care from private health care providers. GAO evaluated the VA system for determining how much to pay private health care providers.

Findings

Under VA reimbursement criteria, the maximum reimbursable fee for any medical procedure should be at or above the middle of the range of fees normally charged but should not approach the top of the range. GAO found that: (1) of the maximum fees it reviewed, most were either above or below the range

under VA criteria; (2) 23 percent of the bills it examined were for fees outside the approved range; and (3) it could not determine what the total dollar effect would be if all payments were within the criteria. GAO also found that the VA system is outdated and inadequate because VA has not: (1) updated its list of medical procedures, so clinics must determine for themselves the usual fee for such procedures; (2) recognized changes in usual fees that come about because of improved technology; (3) converted to the standard system for coding medical procedures; or (4) established a system to establish conversion factors that result in appropriate fees. In addition, GAO found that VA could improve its fee schedule system by adopting criteria used by the Medicare program and by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to use the more precise Medicare fee schedules once the automated claims processing system is fully developed.

Status: Action taken not fully responsive. The Medicare fee schedule is based on a survey of physician-billed charges. Insurance companies contracted with to maintain the system annually rank physician charges and choose the 80th percentile as the maximum allowable charge. As physicians continue to increase their charges, the maximum charge escalates. VA believes there is no incentive or means to control costs with this method.

Hospital and Medical Care for Veterans

Surgical Residents Need Closer Supervision

HRD-86-15, 01/13/86

Background

In response to a congressional request, GAO reviewed Veterans Administration (VA) hospitals' supervision of surgical residents to determine whether: (1) the supervision is adequate; (2) VA is monitoring this supervision; and (3) the supervision in VA hospitals is comparable to that in non-VA hospitals.

Findings

GAO reviewed surgical resident supervision at 10 VA and 15 non-VA hospitals and sent questionnaires to supervising surgeons and residents at 28 VA hospitals. GAO noted that, since VA supervision criteria were too broad, it developed its own more specific criteria establishing the minimum supervision needed to ensure quality patient care and effective resident training. GAO found that: (1) compliance with GAO intraoperative criteria was generally adequate; (2) compliance with the preoperative and postoperative criteria was insufficient; (3) hospital enforcement of VA criteria varied, affecting residents' supervision; and (4) only 34 percent of the 148 surgical cases reviewed were in compliance with all the GAO criteria. VA primarily monitors supervision by reviewing annual audits that VA hospitals submit; however, GAO found that: (1) 33 percent of the hospitals did not submit the results of their audits for fiscal year 1984; (2) only one of the reports submitted contained enough information to monitor preoperative, intraoperative, and postoperative supervision; (3) VA headquarters had not told the regional directors responsible for enforcing the audit requirement which VA hospitals had not complied; and (4) VA hospitals had not issued specific requirements

for monitoring supervision, causing the quality to vary. GAO also found that the level of VA hospital supervision was slightly lower than that at non-VA hospitals, perhaps due to lack of incentives such as reimbursement requirements.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should define the appropriate actions for preoperative and postoperative supervision.

Status: Action taken not fully responsive. VA revised its manual but the revision would be improved if it were made more clear that the supervision applies to both preoperative and postoperative care.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require that VA hospital chiefs of surgery enforce criteria for surgical resident supervision. This enforcement should include not allowing surgeons whose schedules do not permit supervising all three phases of surgery to supervise residents.

Status: Recommendation valid/action not intended. VA did not concur with this recommendation. It stated that many of its supervising surgeons are part-time employees and requiring them to supervise all three phases of surgery represents an ideal situation which is unattainable.

The Administrator of Veterans Affairs should direct the Chief Medical Director to designate either the Office of Quality Assurance or the Surgical Service office within the Department of Medicine and Surgery as having the primary responsibility for monitoring supervision of residents and indicate that all pertinent information on such supervision should be given to that office.

Status: Action not yet initiated. VA concurred with this recommendation and intends to issue a circular in late 1986 implementing the recommendation.

The Administrator of Veterans Affairs should direct the Chief Medical Director to specify and standardize the systems VA hospitals should use to monitor and report on the supervision of surgical residents.

Status: Action not yet initiated. VA concurred with this recommendation and intends to issue a circular in late 1986 implementing it.

The Administrator of Veterans Affairs should direct the Chief Medical Director to ensure that the VA hospitals send the Surgical Service the results of their annual audits of the adequacy of surgical resident supervision.

Status: Action not yet initiated. VA concurred with this recommendation and intends to issue a circular in late 1986 implementing it.

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of

surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should relate the five levels of intraoperative supervision to the level of the resident and complexity of the case.

Status: Recommendation valid/action not intended. VA did not concur with this recommendation because it believes the criteria are too rigid and only immediate supervisors could adequately assess the degree of supervision required for a particular resident.

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should clarify the provision exempting certain residents from the criteria.

Status: Action taken not fully responsive. Although VA revised its manual in regard to exempting certain residents from supervision, the revision does not provide the clarification intended.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require that VA hospital chiefs of surgery enforce criteria for surgical resident supervision. This enforcement should include not allowing scheduled surgery to proceed unless the preoperative criteria are met.

Status: Action not yet initiated. VA concurred with the recommendation and will implement it through a change to procedures expected in February 1987.

Hospital and Medical Care for Veterans

VA Needs To Further Improve Its Examination and Registry Program

HRD-86-7, 01/14/86

Background

In response to a congressional request, GAO reviewed the Veterans Administration's (VA) Agent Orange examination program to determine: (1) how promptly VA gave veterans their examinations; (2) whether VA was formally notifying veterans of the results of their examinations; and (3) how reliable and complete the Agent Orange registry was.

Findings

GAO found that: (1) veterans scheduled for appointments in the summer of 1984 had to wait an average of no more than 30 days at five of the eight medical centers visited; (2) at two of the centers, which did not give examinations within 30 days, delays were attributed to the demand created by publicity after the settlement of an Agent Orange lawsuit; (3) at the third center, delays were attributed to the publicity and a heavy work load; (4) some veterans who had serious health problems were not formally notified of the problems as required; (5) six of

the eight centers visited were sending letters to veterans after their examinations most of the time; (6) one center sent letters only to veterans who did not return to discuss their laboratory test results with the physician; (7) only two centers that sent letters explained both examination and laboratory test results; (8) the computerized registry that records veterans' symptoms is not reliable because only a restricted number of codes can be used to identify complaints; and (9) as of June 1985, about 47,600 of the over 199,400 examinations medical facilities reported had not been entered in the registry, limiting its usefulness.

Open Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should specify in VA program guidance that, to the extent practical, facilities should give veterans Agent Orange

examinations within 30 days of the request date.

Status: Recommendation valid/action not intended. VA stated that this recommendation may be impossible to enforce because there are repeated oral references to a 30-day time limit. The current directive requires reporting examinations pending. VA reinforced, through teleconferences, the need to provide examinations within 30 days.

The Administrator of Veterans Affairs, through the Chief Medical Director, should require facilities to report the number of examinations pending for more than 30 days at the end of each month.

Status: Recommendation valid/action not intended. VA stated that: (1) there is no feasible way to calculate the number of days examinations are pending without noting the request date; and (2) the current system identifies most delinquent facilities.

The Administrator of Veterans Affairs, through the Chief Medical Director, should revise instructions to medical centers regarding the collection of registry data. The instructions should allow coders to use the entire ICD-9-CM classification system to code veterans' complaints and require appropriate medical center officials to complete or review page one of the codesheet in the veterans' presence.

Status: Action taken not fully responsive. The circular supplement will require the appropriate review and

completion of codesheets, but VA does not intend to use the entire ICD-9-CM system to code complaints. While GAO believes that the use of the entire system would be more appropriate, it does not intend to pursue this further.

The Administrator of Veterans Affairs, through the Chief Medical Director, should revise the instructions for reporting episodes of care provided under P.L. 97-72 to include a code for veterans unsure of their exposure and a description of how staff should deter-

mine whether an episode of care was for a condition possibly related to exposure.

Status: Action taken not fully responsive. New instructions include a code for unsure exposure but do not describe how the staff should determine if care was for a condition related to exposure. Because of scientific uncertainty over this cause-and-effect relationship, GAO believes that VA has done as much as it can.

Hospital and Medical Care for Veterans

VA Health Care: Opportunities Still Exist for Reducing Fee-Basis Pharmacy Costs

HRD-86-66, 03/06/86

Background

GAO followed up on its 1983 report which recommended that the Veterans Administration (VA): (1) reduce the number and cost of prescriptions filled by private pharmacies on a VA-reimbursable, fee-for-service basis; (2) strengthen its efforts to identify prescriptions that should not have been filled by private pharmacies; and (3) deny payments if veterans fail to use VA pharmacies after being asked to do so.

Findings

GAO found that: (1) the number of prescriptions filled for VA by private pharmacies decreased by about 28 percent in fiscal year 1985; (2) at 21 of the 78 clinics it reviewed, private pharmacies still filled more than 5 percent of the fee-basis prescriptions; and (3) the clinics could have saved about \$625,000 if private pharmacies had filled only 5

percent of their fee-basis prescriptions. GAO also found that: (1) most clinics are already exceeding the goal of having VA pharmacies fill 95 percent of their fee-basis prescriptions; and (2) VA management has no way to compare clinics' performance against the 95-percent goal.

Open Recommendations to Agencies

The Chief Medical Director of Veterans Affairs should establish as a formal goal that clinics of jurisdiction will fill at least 95 percent of fee-basis prescriptions in VA pharmacies.

Status: Action not yet initiated. VA has not commented on the report. It will provide GAO with a status report in late 1986.

The Chief Medical Director of Veterans Affairs should require VA central office officials to routinely monitor reports to determine clinics' performance compared to the 95-percent goal.

Status: Action not yet initiated. VA has not commented on the report. It will provide GAO with a status report in late 1986.

The Chief Medical Director of Veterans Affairs should discuss with officials of clinics not meeting the goal the extent to which nonemergency prescriptions are being filled by private pharmacies and, if appropriate, the types of actions necessary to reduce this number.

Status: Action not yet initiated. VA has not commented on the report. It will provide GAO with a status report in late 1986.

Hospital and Medical Care for Veterans

Drug Company-Sponsored Research at VA Medical Facilities

HRD-86-56, 04/24/86

Background

In response to a congressional request, GAO reviewed drug companies' medical research activities in Veterans Administration (VA) facilities. The review included: (1) examining VA research involvement with drug companies; (2) determining whether the VA practice of using drug company donations for medical research violates federal prohibitions against an agency supplementing its appropriations; (3) reviewing VA procedures concerning financial controls imposed on investigators conducting such research; (4) determining whether VA recovers all costs of performing drug company-sponsored studies; and (5) reviewing VA investigations of allegations involving drug company-funded research at the VA Medical Center in Long Beach, California.

Findings

GAO found that, during fiscal year (FY) 1984, drug companies provided at least \$26.6 million to support at least 715 VA medical research studies. VA

believes that drug companies' support of research meets the agency's primary mission of patient care and helps VA satisfy its statutory mandate to conduct a medical research program. GAO found that: (1) VA has the authority to accept donations and to use donated funds as directed by the donor when the use is for the benefit of veterans; (2) about 35 percent of the drug companies' donations are directly deposited in the General Post Fund and administered by the medical center at which the research will be conducted; (3) VA laws and regulations do not state that the agency should recover costs incurred for research studies sponsored by outside organizations; and (4) 5 of the 13 allegations that medical researchers at the Long Beach Medical Center accepted unauthorized remuneration from drug companies or conducted unauthorized research studies were sustained. GAO also found that VA guidelines require that: (1) all payments connected with medical research studies be made to the General Post Fund or an outside institution approved by a VA medical center research and development committee; and (2) the directors of VA medical centers instruct outside spon-

sors, including drug companies, to make donations for the General Post Fund directly payable to VA.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA guidelines to require VA medical center directors to inform outside sponsors of research, including drug companies, before studies are initiated in VA medical facilities, that federal law prohibits all VA employees from receiving compensation from outside the agency for services performed in connection with their official VA duties and prohibits anyone from providing such compensation.

Status: Action in process. Estimated completion date: 12/86. VA expects to issue a circular by the end of the fourth quarter, FY 1986, implementing this recommendation.

Hospital and Medical Care for Veterans

VA Health Care: Insufficient Support for Brevard County Location for New Florida Hospital

HRD-86-67, 06/04/86

Background

In response to a congressional request, GAO reviewed the process and criteria the Veterans Administration's (VA) 12 Medical District officials used in selecting Brevard County as the location for a new VA hospital in east central Florida.

older and lower-income veterans, who typically are the greatest users of VA facilities. VA central office officials did not provide guidance for siting the new hospitals because they believed that planning for new VA hospitals was a rare occurrence.

ing the VA fiscal year 1988 medical care budget submission to Congress.

Findings

GAO found that: (1) the District Planning Board recommended Brevard County as a VA hospital site based on its professional judgment, using data district staff developed; and (2) the reasons for the selection and the data considered during the decision-making process were not fully documented. GAO also found that: (1) a computational error and insufficient evidence in the data supported the Board's decision to locate a hospital in Brevard County; and (2) the Board considered data that favored locating the hospital in the Orange/Seminole County area, which has a greater concentration of

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to require VA regional and district planners to document the rationale or basis for their hospital siting decisions.

The Administrator of Veterans Affairs should direct the Chief Medical Director to suspend further planning for a hospital in Brevard County and reassess the siting decision for the location of a new east central Florida hospital based on the matters discussed in this report. VA should provide the results of its reassessment, including the rationale for its decision, to the House and Senate Veterans' Affairs and Appropriations Committees because of the future need for congressional authorization and funding for this hospital.

Status: Action in process. Estimated completion date: 04/87. As part of the annual VA Medical District Initiated Planning Process, the decision regarding the hospital site selection will be reevaluated using 1986 data. The site selection rationale will be documented. This process will be used in formulat-

Status: Action in process. Estimated completion date: 04/87. The site selection process for the east central Florida hospital is being reassessed as part of VA 1988 budget deliberations. VA will notify the appropriate congressional committees.

Income Security for Veterans

Legislation Needed To Prevent Loss of Millions From Mentally Incompetent Veterans' Estates

HRD-82-1, 02/10/82

Background

Congressional concern was expressed that mentally incompetent veterans' estates accumulated from Veterans Administration (VA) benefits are being inherited by relatives other than the veterans' immediate families. GAO

reviewed active and closed cases of veteran beneficiaries with court-appointed guardians, legal custodians, and institutional award arrangements at 4 of the 58 VA regional offices to determine the extent to which such situations have occurred and could occur in the future.

Findings

GAO estimated that about 3,000 estates of living incompetent veterans comprising about \$56 million in veterans' benefits are unprotected from future claims by relatives other than spouses, children, and dependent parents.

If the results are representative of the situation nationwide, an estimated 29,000 such estates comprised of about \$500 million accumulated from veterans' benefits are currently unprotected from claims by such relatives. Under current law, VA will be unable to recover this money. In 1959, Congress passed legislation limiting the inheritance of incompetent veterans' estates to spouses, children, and dependent parents. This legislation provides that, in the absence of such relatives, VA benefits accumulated in these estates will revert to the federal government. However, because the restrictions do not apply to the estates of most mentally incompetent veterans, other relatives have made successful claims totalling millions. In reviewing VA estate accounting procedures, GAO found that many regional offices

apply all veterans' expenses first to VA benefits rather than allocating the expenses to each revenue source in proportion to its contributions to the veterans' estates. This method underestimates the VA contribution to the estates.

Open Recommendations to Congress

Congress should amend 38 U.S.C. 3202 by adding a new subsection (f) as follows: any funds hereafter deposited in the hands of a fiduciary appointed by a state court or VA derived from benefits payable to mentally incompetent or insane veterans under laws administered by VA, which under the law of the

state wherein the beneficiary had his last legal residence, would descend and be distributed to persons other than the surviving spouse, children, or dependent parents of the beneficiary, there being no such survivors, shall not be paid to such persons but instead shall revert to the United States and shall be returned by such fiduciary, or by the personal representative of the deceased beneficiary, less legal expenses of any administration necessary to determine that a reverter is in order, to VA, and shall be deposited to the credit of the applicable revolving fund, trust fund, or appropriation.

Status: Recommendation valid/action not intended.

Income Security for Veterans

VA Can Reduce Excess Disability Payments by Improving Pay Data Exchange With the Military Services

HRD-85-38, 05/29/85

Background

GAO conducted a review to determine whether the Veterans Administration (VA) and the Department of Defense (DOD) have adequate internal controls to prevent VA from paying veterans' disability benefits to: (1) disabled veterans who return to active duty; and (2) disabled veterans whose separation pay has not been recouped.

Findings

GAO found that, while VA instructs veterans to contact a VA regional office if they return to active duty, VA has not determined whether veterans comply with the reporting requirement. GAO compared data from the Defense Manpower Data Center (DMDC) with VA data and identified over 1,000 individuals who returned to active duty without notifying VA. In some

of the cases, returning veterans did not mention their VA disability payments on reenlistment applications, but there were also cases where military recruiters did not notify VA. In addition, GAO found that VA does not always recoup separation payments before paying disability benefits because: (1) DOD separation processing offices do not always provide separation pay data to VA; and (2) VA staff either disregard separation data or do not realize that recoupment efforts have been unsuccessful. However, since VA can only withhold disability payments up to the amount of a veteran's monthly benefit, it may take years to recoup improperly paid funds.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should require the Director,

Department of Veterans Benefits, to follow agency appeal procedures and, as appropriate, suspend disability benefits and compute overpayments on veterans identified by DOD as receiving active duty and VA disability benefits concurrently on the 1984 and future year tape matches.

Status: Action in process. Estimated completion date: 12/86. DOD will provide data to VA in the fourth quarter of 1986. VA will give savings results to DOD by December 1986.

The Secretary of Defense should require that all military finance centers send quarterly separation pay data to DMDC starting with fiscal year 1984 data and have DMDC provide the data to VA.

Status: Action in process. DOD and VA signed a memorandum of understanding. There has been no exchange of data yet.

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to continue recoupment on cases identified

by GAO, review other cases in the 1983 DOD universes to detect errors, and initiate recoupment if it has not occurred.

Status: Action in process. Estimated completion date: 12/86. There are 195 cases still pending development.

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