
Reports and Testimony: June 1990

Highlights

Drug Infants

Although untold thousands of drug-exposed babies born annually to addicted mothers are generating enormous future social costs to taxpayers, less than one percent of next year's \$10.6 billion federal drug war budget is targeted for women's substance abuse prevention and treatment efforts. Page 22.

National Institutes of Health

NIH's failure to systematically include women in medical research populations raises serious questions about the applicability to both genders of certain disease prevention and treatment strategies. Page 27.

Cable TV Rates

Basic cable television rates continued climbing significantly in 1989, increasing subscription costs 43 percent since the industry was deregulated three years ago and fueling controversy over whether some form of government cost control is needed. Page 4.

Contents

Reports and Testimony: June 1990

Agriculture and Food	2
Budget and Spending	3
Business, Industry, and Consumers	4
Education	5
Employment	6
Energy	7
Environmental Protection	12
Financial Institutions	14
Financial Management	15
Government Operations	18
Health	22
Housing	28
Income Security	30
Information Management	31
International Affairs	33
Justice and Law Enforcement	39
National Defense, Security, and Military Procurement	42
Natural Resources	50
Science, Space, and Technology	52
Social Services	53
Tax Policy and Administration	53
Transportation	55
Veterans Affairs	58

Reports and Testimony: June 1990

Agriculture and Food

U.S. Grain Sales: Inventory Sales Raise Issues for Legislative Consideration

GAO/RCED-90-120, May 22.

During fiscal years 1988 and 1989, the U.S. Department of Agriculture sold about \$8.2 billion worth of government-owned grain that had been obtained largely as forfeited collateral from farmers under USDA's nonrecourse loan program. The sales primarily involved exchanges for commodity certificates—a form of federal payment used in farm support programs in lieu of cash. GAO found that USDA grain sales helped to reduce large and costly federal grain inventories. For selected sales in four states, USDA, on average, received five cents per bushel less than local market prices. While GAO found it difficult to determine whether these sales prices were reasonable, GAO believes that aspects of the acquisition, management, and sale of federal grain inventories warrant congressional consideration during the upcoming farm bill debates.

Food Stamp Program: Achieving Cost Neutrality in Washington's Family Independence Program

GAO/RCED-90-84, June 28.

Breaking the "cycle of poverty" of welfare recipients has always been a central, but elusive, goal of welfare reform. In 1987 Congress authorized the State of Washington to begin a five-year demonstration project—the Family Independence Program—that combines several welfare programs, including Aid to Families with Dependent Children, Medicaid, and food stamps, into a single grant package for recipients. The hope is that a coordinated approach may work better in reducing recipients' long-term dependence on welfare. However, the authorizing legislation for the program requires the state to ensure that the cash approach is no more costly than the traditional coupon program. GAO found that the 1987 act's requirement for assurances of cost neutrality probably cannot be fully satisfied. Instead, a reasonable approximation of program costs is likely the best that can be achieved. The current approach is for the state to estimate how much it would have cost to run a traditional Food Stamp Program and to use this estimate as ceiling for the amount of aid the state can claim from the federal government. Between July 1988 and March 1989, the state claimed \$145.4 million for food benefit costs and administrative expenses, or about \$2.5 million below the total allowed under the ceilings. GAO has several problems with the

methods used to set the program's benefit and administrative ceilings. GAO believes that the use of alternative methodologies could improve the accuracy of the calculations and better ensure that the cost-neutrality requirement is being met.

Testimony

Opportunities for Budget Savings in Domestic Agricultural Programs, by John W. Harman, Director of Food and Agriculture Issues, before the Urgent Fiscal Issues Task Force, House Committee on Budget. GAO/T-RCED-90-93, June 28.

Current budgetary constraints and potentially negative impacts on consumers and international competitiveness have led GAO to increasingly question many current agricultural price- and income-support programs. While GAO recognizes that these programs can be beneficial—including maintaining sufficient levels of commodity stocks—GAO believes that these programs deserve close scrutiny from Congress and the administration. GAO's testimony focuses on three price- and income-support programs for domestic agriculture that GAO believes are in need of reform: the dairy, wool and mohair, and honey programs. GAO believes that revising or eliminating these programs could not only save the federal government about \$1 billion annually but also foster a more market-driven agricultural sector.

Budget and Spending

Impoundments:
Comments on Proposed Deferrals of Economic Support Fund, DOD Wildlife Conservation, and SSA Construction Budget Authority

GAO/OGC-90-7, May 22.

On April 18, 1990, the President submitted to Congress his fourth special impoundment message for fiscal year 1990. This message revises the amounts of three deferrals previously reported: international security assistance economic support fund, DOD wildlife conservation, and SSA construction budget authority. GAO reviewed these deferrals and found them to be in accordance with the Impoundment Control Act.

**Impoundments:
Proposed Rescissions of Budget Authority for the Agriculture and
Commerce Departments**

GAO/OGC-90-8, May 25.

On April 23, 1990, the President submitted to Congress his fifth special impoundment message for fiscal year 1990. This message reports three proposed rescissions of budget authority relating to the Departments of Agriculture and Commerce. GAO reviewed these proposals and found them to be in accordance with the Impoundment Control Act.

**Business, Industry,
and Consumers**

**Telecommunications:
Follow-up National Survey of Cable Television Rates and Services**

GAO/RCED-90-199, June 13.

Cable television rates, once controlled at the state or local level, have been deregulated in most communities since 1986. The result has been tremendous growth in the cable industry and rising concern about the rates that subscribers are having to pay for cable service. GAO surveyed changes in rates and services between December 1986 and October 1988 and found a 29-percent increase in subscribers' average monthly bill for the lowest priced basic service. This report updates GAO's survey through 1989 and also looks at data from 1984 and 1985. GAO found that cable rates continue to increase. During 1989 an average cable subscriber's monthly rates for both the lowest priced and most popular basic services increased by 10 percent. For the three years since deregulation, GAO's survey revealed average increases of 39 and 43 percent, respectively, for the most popular and lowest priced basic services, and a 21-percent increase in revenue per subscriber. The lack of close substitutes for cable is often cited as a reason the subscriber base has not decreased, although factors like improved cable programming may also be responsible. In light the continuing controversy over cable regulation and the promotion of competition, this report also discusses major legislative and regulatory proposals being considered, as well as policy options for dealing with the cable industry's market power. GAO summarized this report in testimony before Congress; see:

Follow-up National Survey of Cable Television Rates and Services, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce. GAO/T-RCED-90-89, June 14.

Education

Consolidated Student Loans: Borrowers Benefit but Costs to Them and the Government Grow

GAO/HRD-90-8, June 15.

During the 1980s, student-loan debt burden grew steadily as the cost of postsecondary education increased. Annual student loan default costs also increased from \$235 million in fiscal year 1981 to \$1.4 billion in 1986. This report addresses the impact of the student loan consolidation program, which allows borrowers to refinance loans received from a variety of lenders and loan programs. GAO found that the program has benefitted borrowers by reducing their monthly payments, thereby easing their repayment burden. However, because consolidated borrowers have longer repayment periods, their total interest costs are higher. In addition, the government's interest subsidy payments to lenders increase primarily because of the longer repayment periods. This report contains several options for changing the program to reduce the government's costs.

Testimony

National Endowment for the Arts' Compliance With Section 304(a) of the 1990 Interior Department Appropriations Act, by Henry R. Wray, Senior Associate General Counsel, before the Subcommittee on Postsecondary Education, House Committee on Education and Labor.

GAO/T-OGC-90-5, June 6.

GAO discussed whether the National Endowment for the Arts complied with provisions in the law that prohibit NEA from funding art that could be considered obscene or of no artistic value. GAO concludes that the procedures and controls that NEA has adopted are sufficient to comply with the law. At the same time, however, GAO believes that there are several problem areas in which NEA could enhance its implementation efforts. The problem areas relate to (1) the standards NEA applies in deciding what materials might violate the funding restrictions, (2) applying the law to "seasonal support grants," and (3) difficulties in making definitive judgments about art that has not even been created at the time a grant is awarded.

U.S. and Foreign Strategies for Preparing Noncollege Youth for Employment, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Education and Health, Joint Economic Committee. GAO/T-HRD-90-31, June 14.

While the United States is renowned for the college opportunities it affords young people, it falls short in preparing many noncollege youth for employment. GAO testified that many children are not ready for school entry or fall behind in school and never catch up. High school students receive little orientation about job opportunities or employment requirements, and little help in making an effective transition from school to work. After leaving school, few needy youth are reached by government training programs; private training programs also have shortcomings. GAO reported on the efforts of four countries—England, the Federal Republic of Germany, Japan, and Sweden—to develop a well-qualified noncollege workforce. GAO believes that in the United States, state, federal, and local governments should consider the following: (1) Strive to ensure that all children attain the academic skills needed to perform effectively in postsecondary education or the workplace. (2) Develop closer school-employer linkages, particularly to expand apprentice-type programs and to help youth land suitable entry-level jobs. (3) Encourage development of skill training standards and competency certification.

Employment

Unemployment Insurance: Trust Fund Reserves Inadequate to Meet Recession Needs

GAO/HRD-90-124, May 31.

The main goals of the federal Unemployment Insurance program are (1) to provide a cash benefit to those who are temporarily unemployed and (2) to help stabilize the economy during a recession by providing the unemployed with a portion of their purchasing power. The program is intended to accumulate enough reserves during periods of economic growth to cover benefits during a recession. In recent years, however, many states have not accumulated enough reserves to take them through a recession and have instead relied on advances from the federal Unemployment Insurance loan account to sustain them. This report examines the likely effect that a future recession would have on reserve balances in the state trust funds and on state borrowing, the ability of the federal Unemployment Insurance account to meet the needs of states in a future recession, and the likely effect that a proposed increase to

the taxable wage base and modifications to the extended benefits program would have on the financial status of the Unemployment Insurance program.

Testimony

Trends in the Number of Strikes and Use of Permanent Strike Replacements in the 1980s, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Labor, Senate Committee on Labor and Human Resources. GAO/T-HRD-90-34, June 6; and

Trends in the Number of Strikes and Use of Permanent Strike Replacements in the 1980s, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Labor-Management Relations, House Committee on Education and Labor. GAO/T-HRD-90-41, June 13.

GAO testified on the practice of hiring permanent employees to replace striking workers. The 1980s saw about half the number of strikes experienced during the 1970s. GAO estimates that employers announced that they would hire permanent strike replacements in about one-fourth of the strikes reported to the Federal Mediation and Conciliation Service in 1985 and 1989. GAO estimates that about 15 percent of them actually hired replacements. Both employers and union representatives agreed that permanent strike replacements were hired in proportionately more strikes in the late 1980s than in the late 1970s. Union representatives described a greater increase in the use of permanent replacements than did employers.

Energy

Nuclear Safety: Concerns About Reactor Restart and Implications for DOE's Safety Culture

GAO/RCED-90-104, Apr. 12.

GAO reviewed DOE's efforts to restart three nuclear reactors at its Savannah River site in South Carolina. Restarting the reactors, which have not been in operation since 1986, is a top priority at DOE because the reactors are the nation's only production source of tritium, a radioactive gas used in nuclear weapons. This report describes (1) factors that might delay restarting the reactors and (2) what the operating contractor is doing to bring about a better attitude toward safety among its

personnel at the Savannah River site. This report also contains information on safety attitude problems at other DOE facilities and with DOE employees.

**Nuclear Security:
DOE Oversight of Livermore's Property Management System Is Inadequate**

GAO/RCED-90-122, Apr. 18.

In June 1988, congressional hearings were held on allegations that government-owned equipment at DOE's Lawrence Livermore National Laboratory, including word processors, typewriters, video equipment, cordless hand tools, and highly explosive materials, was being stolen to finance the purchase of illegal drugs. While the laboratory is government-owned, it is run by the University of California. GAO found that the laboratory cannot account for over \$45 million worth of government-owned property in its custody. Neither the laboratory's accounting controls nor its physical controls have protected the property in its custody against theft, unauthorized use, or loss. Despite the substantial number of missing items, the contract between DOE and the university generally protects the university against liability for such losses. GAO concludes that DOE has not provided adequate oversight of the laboratory's property management system and, in essence, has allowed the university to prescribe the terms of the contract.

**Nuclear Science:
U.S. Electricity Needs and DOE's Civilian Reactor Development Program**

GAO/RCED-90-151, May 29.

Electricity projections developed by the North American Electric Reliability Council appear to be the best available estimates of future U.S. electricity needs. The council, which represents all segments of the utility industry, projects that before 1998 certain regions of the country—particularly the heavily populated eastern half of the United States—may experience shortfalls during summer peak demand periods. Working closely with the nuclear industry, DOE is supporting the development of several reactor technologies to ensure that nuclear power remains a viable electricity supply option. In fiscal year 1990, DOE spent \$253 million to support industry-led efforts to develop light-water reactors, advanced liquid-metal reactors, and modular high-temperature

gas-cooled reactors that are safe, environmentally acceptable, and economically competitive. GAO spoke with utility company officials in the Southeast, all of whom generally supported DOE's efforts. However, most of these officials do not plan to buy nuclear reactors until after 2000 because of the high cost of building nuclear reactors and current public opposition to nuclear power.

**Nuclear Waste:
Changes Needed in DOE User-Fee Assessments to Avoid Funding Shortfall**

GAO/RCED-90-65, June 7.

DOE estimates that disposing of radioactive waste from civilian nuclear power plants and its defense-related nuclear facilities could eventually end up costing \$32 billion. To pay for this, DOE collects fees from utilities on electricity generated by nuclear power plants and makes payments from its defense appropriation. However, GAO found that unless careful attention is given to its financial condition, the nuclear waste program is susceptible to future budget shortfalls. Without a fee increase, the civilian-waste part of the program may already be underfunded by at least \$2.4 billion (in discounted 1988 dollars). Also, DOE has not paid its share of costs—about \$480 million—nor has it disclosed this liability in its financial records. Indexing the civilian fee to the inflation rate would address one major cost uncertainty. However, while DOE intends to do this at an appropriate time, it does not use a realistic rate of inflation as its most probable scenario in assessing whether that time has arrived. Congressional legislation will be required to implement an inflation indexing system.

**Nuclear R&D:
Usefulness of Information From Shippingport Decommissioning for Rancho Seco**

GAO/RCED-90-171, June 7.

The nuclear power plant in Rancho Seco, California, was shut down in June 1989 in response to a voter referendum. This report discusses the lessons learned from DOE's decommissioning of the Shippingport, Pennsylvania, nuclear power plant and the usefulness of this information to Rancho Seco and the commercial nuclear power industry in general. It also addresses additional questions that could be answered if DOE funded

a research project as part of the decommissioning activities for Rancho Seco.

**Energy R&D:
DOE's Allocation of Funds for Basic and Applied Research and
Development**

GAO/RCED-90-148BR, May 24.

In fiscal year 1990, DOE's budget for research and development efforts encompassing programs in fossil, nuclear, solar, fusion, and renewable energy sources as well as basic energy sciences and energy conservation was over \$4 billion. This briefing report provides information on how DOE allocates energy R&D funds. Specifically, it discusses how priorities have evolved over the last 10 years, how the overall DOE funding for R&D has been distributed between basic research and applied research and development, and how much DOE has invested in major demonstration projects over the last 10 years.

**Fossil Fuels:
Outlook for Utilities' Potential Use of Clean Coal Technologies**

GAO/RCED-90-165, May 24.

Electric utilities burning fossil fuels—mainly coal—account for about two-thirds of the nation's sulfur dioxide emissions and about one-third of the nitrogen oxide emissions. These substances are considered major contributors to acid rain. This report discusses the extent to which electric utilities plan to use clean coal technologies on their coal-fired power generating units and how such technologies could help reduce acid rain. It also provides utilities' perspectives on how they might react to different emission reduction requirements and compliance dates.

**Gasoline Marketing:
Uncertainties Surround Reformulated Gasoline as a Motor Fuel**

GAO/RCED-90-153, June 14.

Gasoline is considered reformulated when its chemical makeup has been changed for a specific purpose. In general, government and industry officials agree that reformulated gasoline could help improve air quality by reducing vehicle emissions. In addition, reformulated gasoline offers advantages over other clean-burning alternative fuels because it can use

the existing petroleum distribution system. Yet while some petroleum companies have recently begun selling limited amounts of reformulated gasoline to meet specific markets, the most effective formulations for reducing emissions have yet to be determined. Producing reformulated gasoline in large amounts and in more effective formulations would require at least several years' lead time and large investments in new refinery equipment. Industry officials also believe that it could harm small refiners, increase the cost of gasoline to consumers, and require additional imports of crude oil. Because of these uncertainties, GAO believes that it is premature to draw conclusions about the potential of reformulated gasoline in comparison to other alternative fuels.

**Energy Policy:
Developing Strategies for Energy Policies in the 1990s**

GAO/RCED-90-85, June 19.

This report updates GAO's November 1988 transition report on energy issues facing the nation. That report expressed concern about America's increasing vulnerability to oil supply disruptions; the growing uncertainty about future electric generating capacity; and the health, safety, and environmental problems associated with various energy options. This report supplements the information contained in the transition report and discusses GAO's continuing concerns about energy consumption, increased dependence on foreign oil from Persian Gulf sources that are likely to be interrupted, the adequacy of future electric generating capacity, and potentially adverse environmental effects of energy consumption. The President's July 1989 initiative to develop a national energy strategy is also discussed.

Testimony

Correcting Environmental Problems Facing the Nuclear Weapons Complex, by Victor S. Rezendes, Director of Energy Issues, before the Senate Committee on Environment and Public Works. GAO/T-RCED-90-85, May 17.

GAO discussed DOE's efforts to correct the environmental problems facing the nuclear weapons complex. GAO's testimony focuses on three main points. First, the weapons complex faces a variety of serious and costly environmental problems. Second, during the past year, DOE has made some important changes to its organization that should help change its management focus from one that emphasizes materials production to one that more clearly focuses on environmental concerns. Third, because resolution of DOE's environmental problems will require considerable

resources during a period of budgetary constraints, it is imperative that DOE have internal controls in place to ensure that resources are spent efficiently.

Consumers Have Limited Assurance That Octane Ratings Are Accurate, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-90-90 and GAO/T-RCED-90-90A, June 20.

When choosing gasoline, consumers rely on the octane ratings posted at the pumps. However, consumers have little assurance that they are getting the octane that they are paying for. GAO found that octane mislabeling does exist, although the extent of the problem nationwide is unknown. While Congress passed the Petroleum Marketing Practices Act in 1978 to ensure the accuracy of gasoline octane ratings posted nationwide, no federal controls are now in place to monitor the accuracy of octane postings. Further, there is (1) doubt that newer gasoline-alcohol blended fuels are subject to octane posting requirements and (2) concerns in the states that provisions of existing federal law may limit state enforcement efforts.

Environmental Protection

Toxic Substances: EPA's Chemical Testing Program Has Made Little Progress

GAO/RCED-90-112, Apr. 25.

American industry uses more than 60,000 chemicals, some of which have been shown to cause birth defects or cancers. Others may be just as harmful, but the data do not exist to support such a claim. GAO evaluated efforts by the Environmental Protection Agency and by the Interagency Testing Committee to implement a chemical testing program. GAO found that little progress has been made. So far, the program has identified for testing less than one percent of the more than 60,000 chemicals in the inventory. Although not all 60,000 chemicals may need to be tested, neither EPA nor the Interagency Testing Committee have produced a list of those that do not require testing. Moreover, EPA has compiled complete test data for only six chemicals and has not finished assessing any of them. The testing program has made little progress mainly because EPA was slow to get started, but GAO found other problems—including a lack of crucial data, timeliness concerns, and a lack of overall program objectives and strategy for achieving them—

that, unless corrected, will further limit progress. GAO summarized this report in testimony before Congress; see:

EPA's Chemical Testing Program Has Made Little Progress, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-90-88, June 20.

Water Pollution:

Alyeska's Efforts to Comply With Reissued Ballast Water Treatment Permit

GAO/RCED-90-124, May 8.

Ballast water, which is sea water that is carried in oil tankers to provide stability, can become contaminated with oil. Alyeska Pipeline Service Company runs a water treatment plant at its pipeline terminal at Port Valdez, Alaska, to treat ballast water before it is discharged into the sea. GAO reviewed EPA's recently reissued National Pollution Discharge Elimination System permit for the Port Valdez facility. In this report, GAO (1) compares the effluent limits and other requirements under the reissued permit with those of the old permit, (2) determines the reasons for changes in the reissued permit, and (3) examines Alyeska's initial efforts to comply with the reissued permit's effluent limits and reporting requirements.

Air Pollution:

Reliability of EPA's Mobile Source Emission Model Could Be Improved

GAO/RCED-90-138, May 14.

GAO examined the reliability of EPA's mobile source emission facilitator model (MOBILE4) and the effect of budget constraints on its reliability. The model is used in estimating motor vehicle emissions of ozone precursors (hydrocarbons and nitrogen oxides) and carbon monoxide and in devising measures to reduce the atmospheric concentrations of these pollutants. GAO found that while the precision and reliability of MOBILE4 needs to be improved, it remains an important tool for formulating plans to reduce the atmospheric concentrations of ozone and carbon monoxide pollution. When the model assumptions are revised to reflect changes in the vehicle fleet and other refinements resulting from additional emissions tests, it should produce more precise estimates of motor vehicle

emissions. Funding limitations hindered the development of MOBILE4, but EPA appears to have begun addressing this situation by increasing funding for emissions testing in fiscal years 1989 and 1990.

**Hazardous Waste:
Funding of Postclosure Liabilities Remains Uncertain**

GAO/RCED-90-64, June 1.

Although land disposal of hazardous waste has resulted in major environmental contamination and serious health consequences, this practice continues. Under the Superfund Amendments and Reauthorization Act of 1986, GAO is required to study options for a program to manage liabilities associated with nuclear waste disposal facilities after closure. This report discusses the (1) likelihood that permitted hazardous waste disposal facilities will leak after closure, (2) magnitude of liabilities that may be incurred, (3) adequacy of current postclosure funding assurance requirements, and (4) feasibility of other mechanisms that could provide greater postclosure funding assurances.

Financial Institutions

**Failed Thrifts:
Better Controls Needed Over Furniture, Fixtures, and Equipment**

GAO/GGD-90-87, May 25.

The Federal Savings and Loan Insurance Corporation was, and now the Federal Deposit Insurance Corporation and the Resolution Trust Corporation are, dealing with billions of dollars in assets from hundreds of failed thrifts. One of the steps in liquidating a thrift is disposing of furniture, fixtures, and equipment. Although these items represent a relatively small percentage of a failed thrift's total assets, it is important that all aspects of the liquidation process be handled effectively. GAO looked at the situation in FSLIC's Central Region in Dallas, Texas, and found that FSLIC failed to ensure that the furniture, fixtures, and equipment of the receiverships were effectively managed and liquidated. FSLIC headquarters and regional officials did not follow FSLIC policy on planning; contracting was not done on a competitive basis; and sound internal control standards of separation of duties were not observed. As a result, FSLIC may not have maximized the recovery of funds from the sale of furniture, fixtures, and equipment. Furthermore, FSLIC should have promptly compensated the receiverships for these items when they were taken and placed in FSLIC offices for its use.

Financial Management

Financial Management: Analysis of Operating Cash Balance of Navy Stock Fund

GAO/AFMD-90-59, May 2.

GAO has been examining certain Army, Navy, and Defense Logistics Agency stock fund pricing and refund practices. In this report, which examines the situation at the Navy, GAO found that the Navy stock fund has functioned with substantially more than an 11-day operating cash balance. From 1985 through 1989, the stock fund average month-end operating balance has been about the equivalent of a 39-day supply of cash, or \$600 million more than an 11-day operating cash balance. GAO continues to believe that such stock funds can be operated with less than an 11-day operating cash balance. GAO's analysis shows that a five-day cash supply is adequate. While the Navy stock fund has maintained a large operating cash balance for the last five years, the stock fund has also refunded \$3.4 billion to selected customers. These refunds have helped the Navy reduce the excessive amounts of operating cash in the stock fund. GAO was unable to determine the ultimate disposition of \$2.1 billion in refunds because they were merged into other accounts. Navy officials said that the remaining \$1.3 billion was used to purchase inventories for the repair of aircraft.

Financial Management: Army Stock Fund Pricing and Refund Practices

GAO/AFMD-90-68, May 9.

GAO has been examining certain Army, Navy, and Defense Logistics Agency stock fund pricing and refund practices. In this report, which examines the situation at the Army, GAO found that from 1987 through 1989, the Army's stock fund's average month-end operating cash balances have ranged from 1.3 to nine days of cash. GAO believes, similar to its earlier position on the Air Force, that the Army stock fund has shown that it can operate with less than 11 days of cash. In addition, for the past five years, the stock fund has refunded \$736 million to selected customers. By making these refunds, the Army reduced the operating cash flow level below 11 days. GAO was unable to determine the ultimate disposition of over \$600 million of these refunds because they were merged into other accounts.

**Financial Management:
Bureau of Indian Affairs' Efforts to Implement New Accounting System**

GAO/AFMD-90-60, May 24.

To ensure the success of its consolidated billing and collection functions, the Bureau of Indian Affairs began converting to a new accounting system. GAO found that the Bureau was experiencing delays in testing the system and training its users. Despite these delays, the Bureau still believed it could meet an October 1, 1990, deadline for implementing the system. The Bureau said it would have to delay the implementation only if it experienced more problems. However, GAO believes that if the Bureau operates its new accounting system without fully testing it, correcting all major problems, and adequately training its users, system operations could be impaired and additional costs incurred. After the completion of GAO's fieldwork in January 1990, the Bureau asked for a one-year delay in converting to the new accounting system. The Department of the Interior approved this delay in April 1990.

**Financial Management:
Forest Service Is Not Consistently Implementing Charge-as-Worked Cost Reporting**

GAO/AFMD-90-50, June 12.

GAO examined efforts by the Forest Service to improve the accuracy of financial information in its existing budgeting and reporting system. In the past, the Forest Service has charged time, equipment, and overhead in ways that conformed to planned or budgeted amounts rather than in ways that indicated how these resources were actually used. GAO found that Forest Service managers and employees are generally supportive of the charge-as-worked policy and are mindful of the need to report costs correctly. However, the Forest Service has begun to implement the policy without providing a servicewide structure that would enable field units to uniformly comply with the policy.

**Financial Audit:
Rural Electrification Administration's Financial Statements for
1988 and 1987**

GAO/AFMD-90-73, June 13.

GAO contracted with an independent certified public accounting firm to conduct a financial and compliance audit of the Rural Electrification Administration's (REA) financial statements for fiscal year 1988. In GAO's opinion, and consistent with the opinion of KPMG Peat Marwick, REA's financial statements present fairly, in all material respects, its financial position as of September 30, 1988, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles. Several of REA's major electric program borrowers are experiencing major financial difficulties because of their financing of large power plants, some of which are nuclear. REA, which is involved in litigation with some of these borrowers, cannot predict the ultimate impact of these loans on its financial position. The report by KPMG Peat Marwick on internal accounting controls, with which GAO agrees, pointed out four reportable conditions that could adversely affect REA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. REA has said that it agrees with the findings and has taken action in response to them.

Testimony

Audits of Small Business Investment Companies, by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Senate Committee on Small Business. GAO/T-AFMD-90-23, June 21.

GAO discussed certified public accounting firm audits of small business investment companies. In particular, GAO answered several questions about audits of River Capital Corporation, a small business investment company that owed the Small Business Administration \$28.5 million when it filed for bankruptcy in August 1989.

Government Operations

Export Promotion: Personnel Management Issues in the U.S. and Foreign Commercial Service

GAO/NSIAD-90-51, Mar. 16.

This report (1) updates GAO's 1987 review of personnel management issues in the U.S. and Foreign Commercial Service, the export arm of the International Trade Commission, and (2) identifies new personnel management issues affecting service provided to the U.S. business community. Since the 1987 review, GAO found that the Service has improved the administration of its personnel system. Assignment, selection, and appraisal policies have been clarified or revised, and more documentation is now being required to support personnel decisions. GAO did not find evidence of morale problems as was the case in its 1987 review. In addition, senior officials GAO spoke with seemed optimistic about the prospects for more improvements under the direction of the new Director General. However, GAO did find that some assignment and selection processes were questionable and continue to diminish the credibility of the Service's personnel management system. In addition, the commercial staff levels in Taiwan are not in compliance with the requirements of the Omnibus Trade and Competitiveness Act of 1988.

Performance Management: Appraisal and Promotion Results at the U.S. Customs Service

GAO/GGD-90-40, May 18.

GAO tested the feasibility of analyzing relationships among employee demographics, performance ratings, and promotions. Due to the exploratory nature of this study, GAO limited its work to one agency—the U.S. Customs Service, which had computerized personnel data available for the fiscal year 1987 performance rating period. This report examines two types of pay plans: General Schedule (employees in nonsupervisory positions in grades 1 through 14) and General Management (employees in managerial and supervisory positions in grades 13 through 15). GAO found that age was directly related to GS employee ratings, whereas other variables (sex and ethnicity, sex and grade, and step in grade and grade) had indirect relationships. With respect to GM performance ratings, GAO found that age, grade, and years in grade each had direct relationships with ratings, whereas sex and ethnicity had indirect relationships. For promotions, GAO found mostly indirect relationships in

GS employee data. Only step had a direct relationship with GS promotions. In contrast, GAO found only direct relationships with GM promotions. In the GM group, ethnicity, sex, rating, age, grade, years in grade, and location each had a direct relationship with the odds of being promoted. GAO believes these findings should not be used to draw cause-effect conclusions. However, they can provide useful insights into the potential dynamics of ratings and promotion decisions and indicate directions for more in-depth work.

**Law Enforcement:
Recruitment, Retention, and Compensation of Support Staff**

GAO/GGD-90-60, May 22.

This report supplements the National Advisory Commission on Law Enforcement's study of federal law enforcement personnel issues. (See OCG-90-2, Apr. 25.) Law enforcement support staff are white-collar employees, other than agents, who do professional, administrative, technical, and clerical work in agencies like the FBI, Drug Enforcement Agency, and the Bureau of Prisons. Although available data on support staff problems are limited, federal law enforcement officials believe it is increasingly difficult to attract and retain qualified support staff. They point to noncompetitive federal pay as the underlying cause of the problem. Law enforcement officials say that these recruitment and retention problems lead to increased recruiting and training expenses and lost productivity. Noncompetitive salaries cause recruitment and retention problems in all federal agencies. However, law enforcement managers say that low starting salaries along with security clearance requirements have created special problems for their agencies. GAO found that quit rates for law enforcement agencies—excluding the FBI—are about comparable to non-law enforcement agencies. When statistics include the FBI, the turnover is much higher. GAO also found that turnover varies by occupation and location, with the greatest turnover occurring in clerical occupations in high-cost cities.

**D.C. Government:
Information on the Police Recruit Training Program**

GAO/GGD-90-68FS, May 24.

This briefing report examines the District of Columbia's police recruit qualifications and training program. Specifically, it answers the following questions: Have there been any changes in the police academy

course of study and academic requirements? How many recruit termination recommendations have been overturned by officials above the Director of Training level? How does the police academy select and train its instructors? How could the Metropolitan Police Department proceed to acquire accreditation?

Testimony

Office of Government Ethics' Oversight Role, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-GGD-90-48, June 5.

GAO testified on the Office of Government Ethics' (OGE) oversight of executive agency ethics programs. GAO specifically discussed OGE's overall approach to auditing executive agencies' ethics programs and the extent to which it has completed audits of those agencies. GAO also discussed the recommendations that OGE made to the U.S. Department of Agriculture, HUD, and the Department of State between 1981 and 1989, the status of those recommendations, and steps OGE should take to better ensure that agencies implement its recommendations.

Excess and Surplus Personal Property Transfer Program, by Johnny C. Finch, Director of Planning and Reporting in the General Government Division, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-GGD-90-49, June 7.

GAO is required to report biennially to Congress on several aspects of the program for transfer of excess personnel property to nonfederal organizations and donation of surplus personal property through the State Agencies for Surplus Property to nonfederal recipients. These reports must include (1) a full and independent evaluation of the program's operation and (2) an assessment of the extent to which the objectives of the public law have been fulfilled. Since 1980 GAO has issued four such biennial reports. GAO's testimony summarizes the findings of these reports.

Conflicts Between Postal and Municipal Boundaries, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Postal Operations and Services, House Committee on Post Office and Civil Service. GAO/T-GGD-90-47, June 7.

The Post Office spends about \$40 billion a year to provide daily mail delivery (six days a week) to 116 million addresses. ZIP codes make this complex system workable. Some people, however, live in one municipality but are assigned the mailing address of another. Many people have complained that the widespread use of such mailing addresses can delay delivery of emergency medical help, increase automobile insurance rates for affected residents, and result in improper assessment of wage and sales taxes. GAO testified on two pieces of legislation that have been introduced in response to these concerns. H.R. 2380 would allow local government officials, without Postal Service agreement, to assign ZIP codes to coincide with municipal boundaries. H.R. 2902 would allow the use of a city name other than the one desired by the Post Office and indicated by the ZIP code. GAO is concerned that these bills could be expensive and disruptive to mail delivery service. As a result, GAO cannot support either legislation. GAO notes, however, that there are alternative solutions for resolving some of the addressing problems on a case-by-case basis.

Selected Personnel Practices of the Voice of America Warrant Management Attention, by Joseph E. Kelley, Director of National Security and International Relations Issues, before the Subcommittee on International Operations, House Committee on Foreign Affairs. GAO/T-NSIAD-90-49, June 19.

In response to employee complaints, GAO reviewed personnel practices at the U.S. Information Agency's Voice of America and Radio Marti to see if there were systematic personnel practices that management should address. GAO testified that in some cases, the problems were not as dire as the employees had alleged. The lack of supportive documentation and/or the lapse in time since some of the incidents occurred prevented GAO from making a determination of the validity of some of the specific allegations. However, GAO's review did find inadequate controls over time and attendance; weaknesses in the administration of certain contracts; differences in grade structures between VOA divisions, which caused dissension; underrepresentation of women and minorities, especially in the senior or supervisory ranks; limited employment rights for noncitizen employees; and inappropriate use of excepted service hiring authority. GAO testified that VOA has responded to several of these issues.

A New Dollar Coin Has Budgetary Savings Potential But Questionable Acceptability, by L. Nye Stevens, Director of Government Business

Operations Issues, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-90-50, June 20.

While the United States still relies on the paper dollar, Australia, Canada, Japan, and major Western European countries all now use a coin for comparable retail transactions. The U.S. attempt to put the Susan B. Anthony dollar coin into circulation in 1979 was a failure. GAO testified that the government could save \$318 million each year if it replaced the dollar bill with a more durable dollar coin, but only if the coin were widely accepted and used. GAO believes that widespread acceptance of such a coin will not happen unless Congress and the Administration are firm in their decision to eliminate the dollar note and are prepared to handle public resistance. GAO found no comparable economic argument for eliminating either the penny or the half dollar.

Health

Drug-Exposed Infants: A Generation at Risk

GAO/HRD-90-138, June 28.

Unlike the drug epidemics of the 1960s and 1970s, which primarily involved male heroin addicts, the current drug epidemic has affected many women of childbearing age. In 1988 some five million women reported using illicit drugs. A growing number of babies are being born to these women. This report discusses the (1) extent of the problem; (2) health effects and medical costs of infants born exposed to drugs compared with the costs of those who are not; (3) impact of these births on the social welfare system; and (4) availability of drug treatment and prenatal care to drug-addicted pregnant women. In GAO's view, the problem of drug-exposed infants calls for an urgent national response. GAO believes that expanding drug treatment services might reduce the number of drug-exposed infants and alleviate some of the social problems associated with their care. More federal funding could reduce the large gap between the number of women who could benefit from drug treatment and the number of residential and outpatient treatment slots. This commitment of funds could save money in the long term as well as improve the lives of future generations of children. GAO summarized this report in testimony before Congress; see:

Drug-Exposed Infants: A Generation at Risk, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Finance. GAO/T-HRD-90-46, June 28.

**Nonprofit Hospitals:
Better Standards Needed for Tax Exemption**

GAO/HRD-90-84, May 30.

Due to increasing pressure to contain costs, are some hospitals reducing indigent care and other charitable activities? Nonprofit hospitals have come under special scrutiny recently because of their preferred treatment as charities under the tax code. In the five states GAO reviewed—California, Florida, Iowa, Michigan, and New York—government-owned hospitals provided a disproportionate amount of uncompensated care, whereas both nonprofit and for-profit hospitals provided a smaller share of the states' uncompensated care. The burden of uncompensated care was not spread equally among the nonprofit hospitals in these five states. Large, urban teaching hospitals had a higher share of the uncompensated care expense than did other nonprofit hospitals. Among the rest of the nonprofit hospitals, the tendency was for those hospitals with the highest operating margin (and, therefore, the greatest ability to finance charity care) to have the lowest rates of uncompensated care. About 80 percent of the nonprofit hospitals in these states reported total uncompensated care costs in excess of GAO's estimate of the value of their federal tax exemption. However, GAO found that a far lower percentage incurred charity care costs in excess of GAO's estimate of the value of their tax exemption: 71 percent in New York and only 43 percent in California. GAO believes that if Congress wishes to encourage nonprofit hospitals to provide charity care and other community services, it should consider revising the criteria for tax exemption. GAO summarized this report in testimony before Congress; see:

Nonprofit Hospitals: Better Standards Needed for Tax Exemption, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the House Select Committee on Aging. GAO/T-HRD-90-45, June 28.

**Minority Health:
Information on Activities of HHS' Office of Minority Health**

GAO/HRD-90-140FS, June 6.

The Office of Minority Health—part of the Department of Health and Human Services—was created in 1985 to focus on the health problem needs of minority groups, a fast-growing segment of the U.S. population. This fact sheet examines the goals and objectives, funding, staffing, and program activities of the Office of Minority Health.

**Medicare:
Second Status Report on Medicare Insured Group Demonstration
Projects**

GAO/HRD-90-117, June 6.

The Department of Health and Human Services is authorized to conduct demonstrations of contracting on a prepaid capitation basis with Medicare Insured Groups to provide Medicare benefits to retirees. HHS' Health Care Financing Administration has been working for about two years to implement the demonstration projects. Currently, none of the projects has progressed further than the feasibility analysis phase. At the end of its feasibility analysis, Chrysler decided not to proceed with the demonstration, concluding that it would have been unprofitable. In addition, little progress has been made in the last year by Amalgamated or Southern California Edison. Neither company has developed a method of setting capitation rates that HCFA has approved. Both companies have received extension of the feasibility analysis phase of their cooperative agreements. In this second status report, GAO concludes that it is unclear when any Medicare Insured Groups project will become operational.

**Medicare:
HCFA Can Reduce Paperwork Burden for Physicians and Their
Patients**

GAO/HRD-90-86, June 20.

The paperwork required to process claims under Medicare is burdensome and confusing to many beneficiaries and care providers alike. This report examines the paperwork required in the claims process for Medicare part B to see whether (1) opportunities exist to help providers submit complete claims, (2) notices to beneficiaries explain claims decisions clearly, and (3) electronic services like electronic mail could reduce paperwork.

**Health Care:
Criteria Used to Evaluate Hospital Accreditation Process Need
Reevaluation**

GAO/HRD-90-89, June 11.

The Health Care Financing Administration—part of the Department of Health and Human Services—relies on the Joint Commission on Accreditation of Healthcare Organizations to identify and resolve problems in hospitals serving Medicare patients. However, HCFA lacks assurances that the hospitals surveyed by the Joint Commission are complying with Medicare requirements. While HCFA is unsure of the extent to which it

can direct the Joint Commission to change its accreditation process to meet HCFA's needs, GAO believes that HCFA should try to guide the Joint Commission to ensure that hospitals meet Medicare requirements. If such efforts are unsuccessful, alternatives to the present system of accreditation can be considered. However, because none of the alternatives appears to be clearly superior to the present system, GAO discusses several different options for improving the current system. GAO summarized this report in testimony before Congress; see:

HCFA Needs Better Assurance That Hospitals Meet Medicare Conditions of Participation, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-90-44, June 21.

**Rural Hospitals:
Federal Leadership and Targeted Programs Needed**

GAO/HRD-90-67, June 12.

Due to mounting financial pressures, many rural hospitals have closed in recent years and many more are at risk of shutting down. There is widespread concern that many people, particularly elderly and low-income individuals, may have difficulty traveling to another facility to receive care. This report discusses strategies and programs at the state and federal level to address the problems facing rural hospitals. GAO concludes that because of the rapid changes in the health care industry and the complexity of the problems facing rural hospitals, it is unrealistic to expect that every rural hospital will remain open as a full-service facility. To help preserve rural residents' access to hospital care, GAO recommends that the Department of Health and Human Services (1) improve the monitoring of and technical support provided to sole community hospitals and (2) ensure that its Office of Rural Health Policy has the resources to monitor and evaluate the impact of federal efforts to assist rural hospitals. In addition, Congress may wish to require that essential rural hospitals that are financially at risk be given priority when applying for federal grants.

**Rural Hospitals:
Factors That Affect Risk of Closure**

GAO/HRD-90-134, June 19.

GAO found that closed rural hospitals tended to suffer substantial and increasing losses during the three years before they closed. Their losses were due primarily to their high cost per case relative to other, similar hospitals. Losses on Medicare patients were not a major problem, although for about a third of rural hospitals with fewer than 50 beds, the opposite was true; they lost more from treating Medicare patients than from treating other patients. Contrary to popular perception, a hospital's location in a rural rather than an urban area did not increase its risk of shutting down. Factors that were associated with a higher risk of closure were low occupancy, small size, and ownership by a for-profit entity. This suggests that strategies for preventing rural closures should target hospitals with high risk factors rather than all rural hospitals.

Testimony

Health Insurance: Availability and Adequacy for Small Businesses, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Antitrust, Monopolies and Business Rights, Senate Committee on the Judiciary. GAO/T-HRD-90-33, June 5.

Small businesses are having an increasingly difficult time offering health insurance that meets the needs of their employees. About half of the small businesses with less than 10 employees do not offer health insurance to their employees. GAO testified on the problems facing small businesses in obtaining adequate and affordable health insurance coverage. GAO concludes that while many proposals have been offered for resolving this situation, there is still no consensus and the nation has not yet embraced a solution to this problem.

Medigap Insurance: Proposals for Regulatory Changes and 1988 Loss Ratio Data, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness and before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-35, June 7.

GAO testified on H.R. 4840, the Medigap Fraud and Abuse Protection Act of 1990. This bill would expand consumer protections for the elderly

who purchase Medigap insurance and would expand policy premiums and benefits during times that a policyholder is also eligible for Medicaid. GAO believes that enactment of this proposed legislation would go a long way toward improving consumer protections for purchasers of medigap insurance. In GAO's view, the bill would also improve the economic value of this insurance. GAO also discussed 1988 loss ratio data.

Medicare: Effects of Budget Reductions on Contractor Program Safeguard Activities, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-90-42, June 14.

How vulnerable is the Medicare program to waste, abuse, and mismanagement? GAO focused on the insurance companies that contract with the government to process and pay claims for Medicare-covered services. In recent years, the funding available for carrying out claims processing and payment safeguard activities has not kept pace with the growth of the program. GAO testified that the ability of Medicare contractors to ensure the accuracy of program payments has deteriorated seriously. In GAO's view, attempting to save administrative costs by reducing funding for payment safeguard activities is penny-wise and pound-foolish because safeguards tend to save the Medicare trust fund \$11 for every \$1 dollar spent. GAO believes that increased funding is needed in this area.

National Institutes of Health: Problems in Implementing Policy on Women in Study Populations, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-38, June 18.

Although it has been over three years since the National Institutes of Health announced a policy of encouraging the inclusion of women in study populations, GAO testified that NIH has done little to put this policy into effect. GAO found that the policy on women is neither well communicated nor understood. For example, because the grant application booklet does not discuss the policy, NIH continues to receive proposals that are unresponsive to the policy. In addition, NIH has only just begun to apply the policy systematically during the grant review process. NIH's various institutes have not applied the policy, and NIH has no way to measure the policy's impact on the research it funds. Furthermore, the policy applies to extramural research only, not to NIH's own intramural research projects. Because implementation of the policy began so late,

GAO was unable to determine its effect on the demographic composition of study populations. Furthermore, there is no readily accessible source of data on the demographics of NIH study populations.

Housing

Homelessness: McKinney Act Reports Could Improve Federal Assistance Efforts

GAO/RCED-90-121, June 4.

This report describes the status of reports on programs for the homeless mandated by the McKinney Act. The act requires seven federal agencies and the Interagency Council on the Homeless to submit reports to Congress on homelessness. Sixteen of the reports are a onetime requirement; 10 are required annually; and one, a General Services Administration report meant to identify available surplus federal property for use by the homeless, is required quarterly. As of April 1990, six of the 16 one-time reports and eight of the 10 annual reports for fiscal year 1988 had been issued. GAO believes that these reports could provide federal agencies and Congress with useful information on the effectiveness of programs in areas like housing and health care for the homeless. This information could be especially useful to Congress as it considers reauthorization of the McKinney Act, which expires on September 30, 1990. However, each time that GAO has checked on overdue reports, HUD and HHS officials have changed the report issuance dates. Accordingly, it is important that these agencies brief the appropriate congressional committees on information contained in the reports. Further, these agencies need to work with the committees to establish new schedules for the final reports.

Assisted Housing: Rent Burdens in Public Housing and Section 8 Housing Programs

GAO/RCED-90-129, June 19.

Under federal housing law, assisted households are usually required to pay 30 percent of their adjusted income for rent. By regulation, HUD has interpreted "rent" to include shelter cost plus a reasonable amount for utility costs. This interim report looks at the proportion of income that assisted households pay for rent and utilities (called "rent burden") at six public housing agencies.

**Rental Housing:
Inefficiencies From Combining Moderate Rehabilitation and Tax
Credit Subsidies**

GAO/RCED-90-168, June 19.

GAO looked at eight housing projects and found that the developers generally realized cash proceeds that greatly exceeded their costs for acquiring and rehabilitating the projects. These proceeds ranged from about \$3,800 to \$13,700 per unit and represent 11 to 34 percent of the project's acquisition and development costs. Developers generated the proceeds by selling their ownership interests in the projects along with the related tax credits and then combining these proceeds with mortgage loans secured by moderate rehabilitation rental subsidies. GAO believes that these projects represent an inefficient use of federal housing dollars for two reasons. First, by combining subsidies under the Moderate Rehabilitation Program with low-income housing tax credits, project developers received more assistance than needed to ensure the project's financial viability or to compensate them for their limited financial risk. Second, the use of both of these programs was questionable because the projects were in areas with ample vacant units. Because rents in these areas were often well below the rents established at the eight projects, housing certificates or vouchers would have been less expensive for the government.

Testimony

Impact of FHA Loan Policy Changes on Its Cash Position, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-90-70, June 6.

GAO testified on its analysis of the impact of three proposed policy changes on the cash position of the Federal Housing Administration's Mutual Mortgage Insurance Fund. These proposals include (1) increasing the FHA mortgage ceiling limits, (2) reducing downpayment requirements, and (3) allowing FHA to insure adjustable rate mortgages with higher interest rates. The reduced downpayment and adjustable rate mortgage proposals are estimated to have a relatively small effect on the Fund's cash position. On the other hand, if overall economic conditions remain favorable and if house prices appreciate at a rate of five to nine percent annually, the Fund's cash balance will remain positive under GAO's base case and will be higher if the mortgage ceiling is raised. However, the additional insurance-in-force that this policy change will

generate may expose the federal government to potentially greater financial risks. Lower house price appreciation rates, like those seen today, will have a negative impact on the Fund if they continue. On the basis of its analysis, GAO believes that while increases in the FHA's mortgage ceiling to account for house price increases are necessary to prevent the deterioration of the Fund's balance and to allow FHA to maintain its current share of the housing market, there is a need to proceed with caution on how high to raise the mortgage ceiling.

Issues Pertaining to the Management of the Buffalo Municipal Housing Authority, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Honorable Daniel Patrick Moynihan at a field hearing in Buffalo, New York. GAO/T-RCED-90-87, June 9.

GAO testified on (1) the effectiveness of a recently signed agreement between the Buffalo Municipal Housing Authority and the Department of Housing and Urban Development to improve the racial balance of Buffalo public housing developments, (2) the reasons for the Authority's relatively high vacancy rates, and (3) the need for the current number of employees at the Authority. GAO believes that prior practices that allowed tenants to choose the development in which they preferred to live have resulted in highly segregated housing. The Authority faces significant challenges in implementing the voluntary compliance agreement, reducing its high vacancy rate, and improving the overall condition of its developments. Strong leadership and management at the Authority, effective HUD oversight, and community support and involvement will all be needed to overcome these challenges.

Income Security

Testimony

Social Security: Many Administrative Law Judges Oppose Productivity Initiatives, by Gregory J. McDonald, Associate Director for Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-90-39, June 13.

The Social Security Administration employs more than 700 administrative law judges in 132 hearing offices around the country to hear appeals of applications for social security or Medicare benefits that have been denied. These judges are unique federal employees in that they make decisions on administrative proceedings of the agency that

employs them. Historically, SSA has used a monthly disposition goal to encourage the judges to decide more cases. Many of the judges, however, complain that SSA's emphasis on productivity has had a negative effect on their work. GAO's testimony focuses on the issues of (1) performance goals and (2) staffing levels of both administrative law judges and support staff.

Federal Government's Oversight of Pension and Welfare Funds, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HRD-90-37, June 13.

The Internal Revenue Service and the Department of Labor are responsible for ensuring that pension plans, with about \$2 trillion in assets, and welfare benefit plans comply with the Employee Retirement Income Security Act of 1974 (ERISA). Their efforts have a significant impact on ensuring that employee benefit plans are free of mismanagement, fraud, and abuse. Of particular concern to GAO are the effectiveness of federal oversight of employee benefit plans that are essential to the well-being of millions of Americans, and the government's potential exposure to underfunding in pension plans insured by the Pension Benefit Guaranty Corporation. This underfunding is now estimated at between \$20 billion and \$30 billion in specific large plans. GAO testified on (1) the effectiveness of IRS' and Labor's ERISA enforcement programs and (2) Labor's proposals to enhance ERISA enforcement by strengthening independent public accountant audits.

Information Management

FAA Procurement: Major Data-Processing Contract Should Not Be Awarded

GAO/IMTEC-90-38, May 25.

In February 1989, the Federal Aviation Administration requested proposals for its largest and most complex general-purpose data-processing acquisition to date: the Computer Resources Nucleus (CORN) project. At an estimated cost of \$1.5 billion, CORN is intended to meet the agency's needs for 10 years and provide options for supporting the processing needs of other parts of the Department of Transportation. GAO found that the CORN project has not been properly justified and planned, and contains major unresolved problems. FAA's claims about the causes of perceived problems with its current system are poorly supported, as are its projection of future needs, leading to fundamental doubts about the

project's justification. In addition, the agency's methodology for evaluating technical and cost aspects of vendor proposals is seriously flawed, and FAA's estimates of how much it will cost to convert software to CORN and the amount of agency support needed for the conversion are unreliable. Finally, the conversion itself will not result in better management information. GAO recommends that the CORN contract not be awarded.

**Air Force ADP:
Depot Maintenance System Development Risks Are High**

GAO/IMTEC-90-46, May 25.

The Air Force Logistics Command is trying to develop a new automated system—the Depot Maintenance Management Information System—that would modernize and improve data processing at the Command's six maintenance centers. To develop this system, the Command plans to buy hardware and adapt commercial, off-the-shelf software called Manufacturing Resource Planning for each of the 19 product divisions at its six centers. However, GAO found that the software will be more difficult to adapt to the depot environment than the Command had expected. While the Command had originally expected that the software would meet 90 to 95 percent of the automated system's requirements, the Command now estimates that the software will meet only 65 to 70 of the system's requirements. One contractor study concluded that a 51-percent figure is more accurate. This means that the Command will have to significantly change the software, increasing the risk of not staying on schedule or within budget. This report also looks at whether (1) the acquisition cost estimates are reasonable and (2) the development schedule can be met.

**Space Communications:
Performance of NASA's White Sands Ground Terminal**

GAO/IMTEC-90-56, May 29.

The White Sands terminal in New Mexico is the main component of NASA's Tracking and Data Relay Satellite System. Various satellites and the space shuttle use the system to relay tracking and scientific data to users, and the relay through the White Sands terminal is critical to the safety of NASA astronauts and to the receipt of scientific data from space experiments. GAO found that NASA does not evaluate the reliability or availability of the White Sands terminal. Instead, it assesses performance in terms of how the terminal met the user's data transmission

needs, which it calls user support proficiency. Given this criteria, NASA has exceeded its goal of 95 percent user support proficiency since 1986 and is, on average, delivering telecommunications services to users about 99 percent of the time. System users were generally satisfied with the services they received. Use of the White Sands terminal is expected to increase significantly during the next several years. Yet without reliability and availability data, NASA cannot predict how well the terminal will work or how long it will be available for use in the future.

**Geographic Information System:
Forest Service Not Ready to Acquire Nationwide System**

GAO/IMTEC-90-31, June 21.

To better manage data on the nearly 200 million acres of national forests and grasslands, the Forest Service plans to acquire a computer-based geographic information system. The system is intended to handle information on land ownership, vegetation types, soil types, water location, land elevation, and other geographic characteristics. While the system holds the promise of significantly helping the Forest Service manage and preserve natural resources, GAO concludes that the Forest Service is not ready to procure a \$1.2-billion nationwide geographic information system. The Forest Service has not analyzed a full range of alternatives; has relied on what GAO believes are invalid representations of future benefits; and has not adequately defined its information and system performance needs, thereby failing to comply with regulations governing functional requirements analyses. As a result, GAO believes that there is an increased and unnecessary risk that the proposed geographic information system will be neither effective nor cost-beneficial.

International Affairs

**International Finance:
Update on U.S. Commercial Banks' Securities Activities in London**

GAO/NSIAD-90-98, May 7.

GAO looked at the performance of U.S. commercial bank-owned securities subsidiaries in London. GAO found that while bank-specific problems are less severe than those cited in a September 1988 GAO report, London financial markets continue to be a difficult environment in which to operate, with changes occurring in many foreign and domestic institutions. Several U.S. commercial banks continued to suffer losses on London-based securities trading and, in some cases, were forced to

infuse capital from the U.S. parent to the U.K. subsidiary in order to continue to meet U.K. capital requirements. Some banks, however, have earned profits in London. Banks have altered their strategies in London and discontinued many operations that were unprofitable. Improvements continue to be made in management oversight of securities subsidiaries and internal controls governing the operation of these subsidiaries.

**Export Controls:
Advising U.S. Business of Policy Changes**

GAO/NSIAD-90-201, May 18.

GAO examined the U.S. government's dissemination of information about export control developments. While GAO found that the United States has improved its ability to implement changes to its export control list, it has been unable to consistently meet the effective dates agreed upon by the Coordinating Committee on Multilateral Export Controls. Organized in 1949, the committee is an informal, non-treaty organization of 17 countries that voluntarily restrict exports of sophisticated goods and technologies to the Soviet Union and other proscribed destinations. GAO also found that the United States does not publish or otherwise disseminate to the business community information on either exceptions that the committee grants to export controlled commodities or precedent-setting U.S. licensing decisions. This is primarily due to concerns about confidentiality. To the extent that U.S. businesses are not privy to the same information on impending liberalization measures at the same time as their foreign competitors, they may be at a competitive disadvantage and unable to position themselves to establish footholds in emerging international markets. This is particularly important now because of discussions about the liberalization of export controls to Eastern Europe and the Soviet Union.

**Export Controls:
U.S. Policies and Procedures Regarding the Soviet Union**

GAO/NSIAD-90-185FS, May 24.

The United States controls U.S. exports of militarily significant commercial products to the Soviet Union and other countries by licensing the exports of controlled products to every country except Canada. While U.S. export control policy is not on the agenda of current U.S.-Soviet trade negotiations, it is an important consideration in assessing the

potential for increased U.S.-Soviet trade. This fact sheet provides information on export control policies and procedures, the current level of control on exports to the Soviet Union, and U.S. plans to liberalize these controls. It also discusses U.S. business views on the impact of export controls on U.S.-Soviet trade.

**Export Controls:
Commerce Department Has Improved Its Foreign Policy Reports to Congress**

GAO/NSIAD-90-169, June 12.

GAO is required to assess each report the Secretary of Commerce issues on imposing, expanding, or extending foreign policy export controls for compliance with the Export Control Act of 1979. While GAO's last assessment cited reporting deficiencies, GAO's current review of three recent reports issued to Congress notes improvements in these same areas. In particular, GAO found that Commerce has improved reporting on foreign availability of controlled missile-related items and has more fully consulted with industry about biological organisms controls. GAO also comments on the (1) decreasing distinction between national security-based and foreign policy-based controls and (2) possibility of removing the requirement that GAO assess the Secretary of Commerce's reports.

**Economic Assistance:
Integration of Japanese Aid and Trade Policies**

GAO/NSIAD-90-149, May 24.

This report presents information on Japanese foreign economic assistance and trade policies. In addition, GAO examines the extent to which Japan integrates these policies. Because of congressional concern that U.S. foreign assistance programs are not integrated with U.S. international trade policies, this report also discusses U.S. programs and policies.

**Foreign Investment:
Concerns in the Banking, Petroleum, Chemicals, and Biotechnology
Sectors**

GAO/NSIAD-90-129, May 30.

This is one in a series of reports on the effects of foreign direct investment in the United States. GAO examines foreign investment in four important industries: banking, where possible control over bank lending is of concern; petroleum, where questions about increased dependence on foreign oil have arisen; chemicals, where the foreign-owned share of U.S. assets is among the highest of all industry sectors; and biotechnology, an emerging sector of potentially strategic commercial importance. In this report, GAO (1) spells out the policy concerns in each sector, (2) identifies the data available to analyze these concerns, and (3) evaluates the concerns.

**International Trade:
Export Enhancement Program's Recent Changes and Future Role**

GAO/NSIAD-90-204, June 14.

This report, the third in a series, focuses on recent changes in the Export Enhancement Program and the program's continued role in fostering the liberalization of agricultural trade. In 1985, when the program was established, U.S. agricultural exports were decreasing and government-owned grain surpluses were rising. Since then, agricultural exports have increased and grain surpluses have diminished, but accurate measurements of the program's effect have been elusive because of the many policy and economic factors that also influence exports. However, the U.S. government continues to stress the program's importance as a trade negotiation tool. In reauthorizing the program, Congress should link the level of appropriations to the outcome of the current round of negotiations—scheduled to end in December 1990. At that time, Congress should review any agreements reached on liberalizing agricultural trade and then reevaluate the need for the program.

**Cargo Preference Requirements:
Their Impact on U.S. Food Aid Programs and the U.S. Merchant
Marine**

GAO/NSIAD-90-174, June 19.

U.S. cargo preference laws require significant portions of government cargo to be shipped on U.S.-flag vessels. GAO looked at how these laws have affected the (1) costs and timeliness of U.S. food aid shipments and (2) amount of government cargo transported on U.S.-flag vessels. This report also provides information on changes in the number of U.S. merchant marine vessels and support personnel over the past 10 years.

**European Single Market:
U.S. Government Efforts to Assist Small- and Medium-Sized
Exporters**

GAO/NSIAD-90-167, June 21.

This is GAO's second report on trade issues related to the European Community's Single Internal Market Program, known as EC 1992. This report focuses on European Community efforts to enhance the competitiveness of its small- and medium-sized enterprises, U.S. government activities that support U.S. small business exporters in the EC 1992 environment, and areas in which collaboration with the EC could assist these firms.

**Agricultural Trade:
Improvements Needed in Management of Targeted Export Assis-
tance Program**

GAO/NSIAD-90-225, June 27.

GAO reviewed the management of the Department of Agriculture's Targeted Export Assistance Program. Funded at \$200 million annually for fiscal years 1989 and 1990, this program was established to make funds for commodities available to counter or offset the adverse effects that subsidies, import quotas, or other unfair trade practices can have on U.S. agricultural exports. This report examines the (1) documentation of key program decisions like funding allocations and participant contributions, (2) oversight of all program participants, (3) adequacy of the program's guidelines, and (4) Department's efforts to improve its evaluation process.

Testimony

National Security Review of Two Foreign Acquisitions in the Semiconductor Sector, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Commerce, Consumer Protection and Competitiveness, House Committee on Energy and Commerce. GAO/T-NSIAD-90-47, June 13.

GAO testified on the review process of the Committee on Foreign Investment in the United States on two foreign investments. These investments are (1) the acquisition of Monsanto's silicon division by Huels, AG, of West Germany, which the committee investigated in early 1989 (but the President decided not to intervene), and (2) the proposed acquisition of Union Carbide Chemicals and Plastics Company by Komatsu Electronics Metals Company of Japan, which the committee considered in March and April 1990 but did not investigate. The Department of the Treasury chairs the committee, and other government agencies like the Department of Defense and the U.S. Trade Representative are members. GAO also commented on provisions in proposed legislation relating to GAO access to certain kinds of government data on foreign investment.

Restrictions on U.S. Aid to Bolivia for Crop Development Competing With U.S. Agricultural Exports and Their Relationship to U.S. Anti-Drug Efforts, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Department Operations, Research and Foreign Agriculture and before the Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture. GAO/T-NSIAD-90-52, June 27.

As part of its international anti-drug program, the United States is trying to make crop alternatives to the coca plant attractive to farmers in foreign countries. However, current U.S. law restricts the use of funds in recipient countries to promote the production of commodities that will compete with U.S. exports in the world market. As a result, the U.S. Mission to Bolivia and the U.S. Department of Agriculture seriously disagree over the desirability of supporting soybean production in Bolivia as an alternative to the coca leaf. GAO testified on its ongoing work on restrictions on U.S. aid to developing countries for crop development that competes with the U.S. agricultural exports, and their relationship to U.S. anti-drug efforts in Bolivia.

Status Report on GAO's Review of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the Task Force on Urgent Fiscal Issues, House Committee on Budget. GAO/T-NSIAD-90-53, June 28.

GAO testified on the status of its work on three programs administered by the Department of Agriculture's Foreign Agricultural Service: (1) the Targeted Export Assistance Program, (2) the Export Enhancement Program, and (3) the GSM-102/103 Export Credit Guarantee Programs. All

of these programs have sought to increase U.S. agricultural exports. GAO testified that the present leadership at USDA has taken a constructive approach to management problems that GAO identified and is in the process of taking responsive action. However, problems still exist.

Justice and Law Enforcement

Illegal Drugs: Observations and Selected Data Concerning Portland, Maine

GAO/GGD-90-86, May 14.

In anticipation of congressional hearings on how the criminal justice system in Portland, Maine, is responding to drug crimes and violence, this report provides background information on the extent of illegal drug activity in that city and efforts to combat it. Portland criminal justice officials are concerned about what they consider to be a significant increase in illegal drug activity. While cocaine is the drug of choice, heroin and LSD use are increasing. Exact data are unavailable, although many individuals said that the increase in drugs is responsible for an increase in other types of crime, especially property crimes. Many criminal justice officials commented on the shortage of affordable or publicly funded substance abuse treatment. Officials are also concerned that drug crimes have worsened prison overcrowding. To combat drug crimes on a statewide basis, Maine has legislated a coordinated effort of federal, state, and local law enforcement officers and criminal prosecutors. Local enforcement efforts are also continuing.

Criminal Aliens: Prison Deportation Hearings Include Opportunities to Contest Deportation

GAO/GGD-90-79, May 25.

Can aliens who are subject to deportation because of drug, murder, and weapons trafficking convictions effectively contest deportation from prison? GAO attended 171 alien deportation hearings and found that immigration judges took the necessary steps to inform aliens of their rights. Because in some cases aliens needed to pursue these rights outside of the hearings GAO attended, GAO cannot be sure that each of the 171 aliens was able to take advantage of these rights and thus contest deportation. At all 171 hearings, the judges advised aliens of their right to obtain representation. Aliens were also consistently informed of the charges against them; their right to present and examine evidence; their

right to appeal; and, where appropriate, their right to apply for relief from deportation. Also, interpreters were always provided when, in the judge's opinion, they were needed or when requested by the alien. To help aliens obtain representation, immigration judges provide lists of individuals and organizations who may be willing to provide free or nominally priced legal services. However, GAO identified errors in INS' lists of possible representatives it gave to aliens.

**Drug Control:
How Drug-Consuming Nations Are Organized for the War on Drugs**

GAO/NSIAD-90-133, June 4.

Drug abuse has worsened worldwide. Interpol reports that drug growing areas have expanded and that, despite skyrocketing seizure figures, the numbers of addicts and overdose deaths are increasing. Trafficking networks are global in scope today, and production, processing, and marketing techniques are increasingly sophisticated. Because the United States consumes about 65 percent of all illicit drugs, the world community has viewed drug abuse as a particularly American problem. This perception is changing. For example, due to a saturated U.S. market, cocaine marketers are looking to sell elsewhere. This report examines (1) the nature of the worldwide drug abuse and narcotics trafficking problem and (2) how U.S. and European policies, perspectives, and approaches differ in organization and infrastructure, law enforcement, demand reduction, and strategies for international narcotics control. GAO compared the anti-narcotics activities of three European nations—Germany, the United Kingdom, and Italy—with those of the United States.

**Asset Forfeiture:
Legislation Needed to Improve Cash Processing and Financial Reporting**

GAO/GGD-90-94, June 19.

Asset forfeiture is an important law enforcement strategy that allows the government to seize the property of drug traffickers and organized crime figures. Cash, cars, boats, planes, jewelry, and artwork have all been taken under the government's seizure authority. However, the Comptroller General has identified the government's asset forfeiture programs, which handle hundreds of millions of dollars annually, as high-risk areas warranting special audit efforts. Even the agencies involved—the Department of Justice and the U.S. Customs Service—

agree that these programs have internal control problems. This report, one in a series on asset forfeiture programs, discusses the need for legislation that would (1) speed up the processing of uncontested seized cash and (2) increase congressional and agency oversight through stronger financial controls and reporting requirements. GAO also recommends that Justice and Customs more aggressively monitor their controls over seized cash held for evidence purposes.

Testimony

IRCA Anti-Discrimination Amendments of 1990, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Immigration, Refugees and International Law, House Committee on the Judiciary. GAO/T-GGD-90-51, June 27.

GAO testified on H.R. 4421, the "IRCA Anti-Discrimination Amendments of 1990." This bill would (1) extend for two years IRCA's existing requirements for GAO reports on the law's effects, (2) place seasonal agricultural workers under the law's antidiscrimination protections, (3) require the Justice Department's Special Counsel to establish regional offices in particular locations, and (4) require the Special Counsel to conduct a campaign to educate employers and the public on the law's antidiscrimination provisions. In a March 1990 report, GAO found that widespread discrimination was linked to the law. GAO believes that H.R. 4421's approach of retaining the present verification and sanctions system while seeking to reduce its discriminatory impact is a sound one. GAO also believes that the bill contains some of the initiatives needed to combat IRCA-related discrimination. In GAO's view, however, the bill fails to address the improvements that GAO believes are needed in IRCA's verification system. Fundamental reform is needed in IRCA's current verification system and is essential if IRCA-related discrimination is to be reduced. GAO supports both the extension of antidiscrimination protections to agricultural workers and the creation of Special Counsel regional offices in five cities. GAO also testified on its future role in addressing employer sanctions and the question of discrimination.

Federal Appropriations for State Legalization Impact Assistance Grants, by Sarah F. Jaggar, Director for Operations in the Human Resources Division, before the Subcommittee on Labor, Health and Human Services, and Education, Senate Committee on Appropriations. GAO/T-HRD-90-43, June 27.

To reimburse states for the cost of providing services to aliens granted legal status under the Immigration Reform and Control Act of 1986,

Congress appropriated \$4 billion to be spent over four years. Due to federal program and administrative expenses and to a decision by the Administration to rescind funding, the states should receive about \$2.4 billion. Almost 90 percent of the federal funding will go to five states, with California receiving the largest share. While GAO is concerned that costs may ultimately exceed the \$2.4 billion, that amount should be enough to cover anticipated drawdowns for all states through 1991. States have been slow in using available funds because (1) as is common in new programs, regulations and guidelines for program administration were not given to them until well after the program began and (2) states encountered difficulties in developing and obtaining approval for methodologies to document and claim costs. As a result, some prior year program costs are still being identified and will be claimed in later years. Given the expected level of drawdown activity, GAO testified that Congress could move \$537 million of spending authority to 1992. In the 1990 Appropriations Act, Congress moved \$555 million of 1990 funds to 1992, and allowed states to use those funds to pay for costs incurred in 1990 and future years. GAO also testified that decisions about rescinding the \$537 million and the \$555 million should be delayed until next year's appropriation process, when better state cost data are available.

National Defense, Security, and Military Procurement

Hazardous Materials: DOD Should Eliminate DS2 From Its Inventory of Decontaminants

GAO/NSIAD-90-10, Apr. 25.

Decontamination Solution 2 is used for decontaminating equipment in the event of chemical warfare. Army units throughout the lower 48 states have bought large quantities of DS2, even though Army tests have shown that it can damage current weapon systems, making them inoperable. In addition, the Army's storage facilities for DS2 do not conform to DOD regulations, potentially endangering humans and the environment. Although Army tests have shown that household bleach is as effective as DS2, the Army continues to buy DS2 and the Army's technical manual tells personnel to use it. The Air Force and the Navy, on the other hand, are now using effective, less toxic alternatives. The Defense Logistics Agency, which is responsible for selling DOD's excess property, said that it has no authority to restrict or limit the public from buying hazardous materials like DS2. GAO found that buyers of DS2 were not being informed either of the potential dangers of DS2 or the safety precautions needed to work with this substance. The Defense Logistics

Agency recently indicated, however, that future sales of DS2 will be restricted to recyclers. GAO summarized this report in testimony before Congress; see:

Department of Defense Management of Hazardous Waste, by Norman J. Rabkin, Associate Director for Air Force Issues, before the Subcommittee on Environment, Energy and Natural Resources, House Committee on Government Operations. GAO/T-NSIAD-90-51, June 28.

**Defense Inventory:
Defense Logistics Agency Needs to Better Manage Procurement
Leadtimes**

GAO/NSIAD-90-124, May 2.

GAO found that the Defense Logistic Agency has not implemented adequate controls over procurement leadtimes used in determining when to initiate a buy. Overstated leadtimes can create increased investment for larger inventories, greater chances of buying excess material, and increased termination costs if requirements change. Understated leadtimes can result in shortages of needed supplies. GAO identified and tested controls at two of the Defense Logistic Agency's six supply centers—the Defense Electronics Supply Center in Dayton, Ohio, and the medical supply activities of the Defense Personnel Support Center in Philadelphia, Pennsylvania—and found that GAO's sample items had leadtimes that were either overstated or understated, thus increasing the risk of buying too much or too little stock. Although the Defense Logistics Agency has reduced the time it takes to award contracts, it has not tried to reduce production and delivery times by obtaining the best delivery dates from contractors. Production and delivery times account for 60 percent of total procurement leadtime.

**Defense Inventory:
Production, Distribution, and Storage of C-4 Explosive**

GAO/NSIAD-90-139FS, May 7.

This fact sheet answers several questions on C-4, a mixture used by the military as an initiator for other explosives or in underwater seismic charges. GAO describes the production, distribution, storage, legitimate uses, and public availability of C-4 explosives.

**Tactical Intelligence:
Army's Mohawk Surveillance Radar Program Restructure**

GAO/NSIAD-90-156, May 11.

The Army needs to be able to track moving targets, provide their direction and speed, and classify the targets as tracked or wheeled vehicles. Such information can improve the targeting accuracy of deep attack weapons like the Army Tactical Missile System. The Mohawk surveillance system is the Army's only system providing moving target indicator information on enemy force movements. This report provides information on the Mohawk's (1) cost, (2) phase-out schedule, (3) planned upgrade, (4) alternatives to the upgrade, and (5) the status of other moving target surveillance systems.

**F-16 Program:
Reasonably Competitive Premiums for European Coproduction**

GAO/NSIAD-90-181, May 14.

GAO reviewed the procedures used by General Dynamics Corporation to calculate reasonably competitive premiums for the F-16 Multinational Fighter Program. General Dynamics uses the premiums to determine whether subcontract proposals involving European companies are reasonably competitive. Overall, GAO found that General Dynamics used reasonable methods, suitable data, and accurate computations in setting the premiums for those components. GAO did not identify anything in General Dynamics' calculations that overstate premium values or prevented European subcontract proposals from being reasonably competitive. The production hours, labor rates, support costs, domestic and European purchase order values, costs estimating methodology, and other factors that General Dynamics used to calculate the three premiums GAO reviewed were supported by adequate documentation. In addition, GAO found that General Dynamics used the correct currency exchange rates to compute the three premiums.

**Chemical Weapons:
Obstacles to the Army's Plan to Destroy Obsolete U.S. Stockpile**

GAO/NSIAD-90-155, May 24.

Ever since World War I, the United States has been stockpiling chemical weapons. In the early 1980s, however, DOD discovered that most of the

existing stockpile had little military value. GAO reviewed DOD's efforts to destroy the stockpile and found that the Army's cost estimates to do the job have doubled since 1985—from \$1.7 billion to over \$3.4 billion—and will likely continue to spiral. Further, it is unlikely that the Army will meet the April 1997 deadline that Congress set for the destruction of the stockpile. The Army cites the following reasons for not meeting the deadline: (1) more stringent than anticipated environmental requirements to operate its first continental U.S. incineration plant, (2) program budget cuts, and (3) operational delays at its initial disposal plant on Johnston Atoll. GAO believes that the 1987 deadline is also threatened by strong citizen opposition to these plants in some states and by the Army's failure to allow enough time to obtain environmental permits. Moreover, because of the probable delay in obtaining the required environmental permit for the Anniston facility, GAO believes that most of the \$123 million requested by the Army for use in fiscal year 1991 may not be needed until fiscal year 1992.

**Army Reserve Components:
Minimum Essential Equipment for Training Has Not Been Effectively Managed**

GAO/NSIAD-90-136, May 25.

The Army began the Minimum Essential Equipment for Training (MEET) program in 1983 to improve the training readiness of the Army National Guard and the Army Reserve. Its purpose was to identify specific types and quantities of equipment that were critical to reserve unit training and to give those units priority over others in the issue of that equipment. GAO found that the Army has not effectively managed the MEET program. The Army has not set specific criteria and objectives to accurately identify MEET requirements, has not provided for updating the requirements list, and has not actively managed the program since 1987. As a result, the current list of requirements that comprises the MEET program is outdated and inaccurate, and the Army still does not know the specific items and their quantities that are essential to training its reserve units.

**Procurement:
Efforts Still Needed to Comply With the Competition in Contracting Act**

GAO/NSIAD-90-104, May 30.

In August 1987, GAO reported on the compliance of five DOD activities with the Contracting Act of 1984. GAO looked at the awarding of two categories of contracts: (1) awards made on the basis of other than full and open competition and (2) awards reported as made on the basis of other than fully and open competition and the submission of only one offer. This follow-up report examines the same two categories of DOD contracts beginning in October 1988. GAO found significant improvement regarding the procedures used and the assurance provided that such decisions were appropriate. However, as was the case in its earlier review, GAO found widespread compliance problems concerning (1) written justification for other than full and open competition and (2) public notices published in the Commerce Business Daily to help survey the market and encourage competition for proposed awards.

**Arms Control:
U.S. Efforts to Control the Transfer of Nuclear-Capable Missile Technology**

GAO/NSIAD-90-176, June 1.

Through the Missile Technology Control Regime, the United States and seven of its allies are trying to limit the global availability of systems, equipment, and technologies used to develop nuclear missiles. This report (1) looks at whether U.S. agencies—such as the Departments of State and Commerce—have adopted specific procedures to implement the regime; (2) ascertains the numbers of regime-related export license applications processed and their disposition, especially those for a missile project in Iraq; (3) evaluates the effectiveness of interagency coordination; and (4) examines the adequacy of U.S. resources devoted to the regime. This report also examines certain problems and issues facing the regime in halting the transfer of systems and technology to countries developing nuclear missiles.

**DOD Budget:
Comparison of the Updated Five Year Plan With President's Budget**

GAO/NSIAD-90-211BR, June 13.

This briefing report compares DOD's January 29, 1990, updated Five Year Defense Program with the President's January 1990 topline defense budget submission estimates. The report also (1) examines differences between the updated Five Year Defense Program and the budget reduction numbers reported in GAO's February 1990 DOD budget status report and (2) explains the status of \$45 billion in negative funding entries contained in the April 1989 Five Year Defense Program.

**Security Assistance:
Observations on the International Military Education and Training Program**

GAO/NSIAD-90-215BR, June 14.

The International Military Education and Training Program trains foreign military and civilian personnel in military skills and U.S. military doctrine. In this briefing report, GAO looks at whether the Departments of State and Defense—which are responsible for managing the program—have (1) complied with program policies and procedures and (2) met the U.S. foreign policy objective of exposing program trainees to U.S. values, including human rights. GAO also questioned foreign officials on the program's benefits and on the desirability and feasibility of expanding nation-building training in the program in such fields as medicine, engineering, and logistics. GAO obtained information on training programs in Austria, Guatemala, Haiti, Peru, South Korea, and Spain; the U.S. Unified Commands; and the Departments of Defense and State.

**Navy Maintenance:
Improvements Needed in the Aircraft Engine Repair Program**

GAO/NSIAD-90-193BR, June 18.

Five Naval Aviation depots overhaul most of the engines that power the Navy's airplanes and helicopters. In fiscal year 1989, the depots worked on over 2,200 engines and generated revenues of about \$243 million. However, GAO found that the Navy's management review and controls failed to ensure that engine repair prices were reasonable. As a result, the depots overcharged their customers by \$101 million for labor and material between fiscal years 1987 and 1989. GAO found that the Navy could have lowered labor costs by reviewing significant differences in

how much the five depots charged customers for the same work. Materials costs could be further reduced by requiring all depots to limit material orders to the maximum quantities of parts required for each engine repair.

**Homeporting:
Status of Continuing Construction and Development**

GAO/NSIAD-90-231, June 20.

In May 1990, Members of Congress wrote the Secretary of Defense, urging that work on ongoing construction projects at all new homeports be stopped. They also wrote to the Secretary of the Navy, recommending that construction of section 801 housing at Staten Island, New York, be halted. GAO found that the Navy has not tried to stop ongoing construction as a result of these letters. Work under contracts already awarded has continued unabated and the Navy is going ahead with plans to dedicate the New York Naval Station on June 25, 1990. In fact, some families of military personnel assigned to the USS Normandy (the first ship scheduled to be homeported at Staten Island), the intermediate maintenance activity, and the construction battalion unit are already living at Staten Island or are in the process of transferring there. All these actions relate to the strategic homeport. In addition, other actions and personnel transfers are associated with the closure of the Brooklyn Naval Station.

**Military Airlift:
Peacetime Use of War Reserve Spares Reduces Wartime Capabilities**

GAO/NSIAD-90-186, June 25.

In the event of war or other contingency, long-range aircraft like the C-5 and the C-141 will provide the principal means to airlift fighting forces. During wartime, these aircraft will be flown much more and will require more spare parts to keep them in the air. However, the Air Force is now relying on war reserve spares to support its peacetime operations. GAO concludes that the level of war reserve spares has fallen to the point that DOD's ability to move and sustain its forces during the first 30 days of a conflict could be significantly reduced. In addition, the level of war reserve spares to support the C-5 and C-141 aircraft is not fully disclosed because capability assessment reports to the Joint Chiefs of Staff are incomplete and incorrect. GAO also raises the issue of whether recent

changes in Eastern Europe will reduce tensions and increase warning times, thereby reducing requirements for war reserve spares.

**Major Acquisition Programs:
Selected Aspects of the Army's Forward Area Air Defense System**

GAO/NSIAD-90-191, June 25.

Ongoing developments in Europe and the Soviet Union are greatly altering the national security environment, and these events could significantly affect the requirements for the Army's Forward Area Air Defense System program. This report provides information on (1) the Army's requirement for the program, (2) the Army's expected use of each component in performing its ground-based air defense mission, (3) the cost and schedule of each component, and (4) the Army's reliance on its current air defense systems.

**Defense Acquisition Programs:
Status of Selected Programs**

GAO/NSIAD-90-159, June 27.

The continuing instability in the overall defense budget and the recent changes in Eastern Europe are forcing DOD and the military services to reexamine the need, priority, and annual funding levels for many weapon system acquisition programs. GAO reviewed six weapon system acquisition programs that DOD was scheduled to make an acquisition milestone decision on during fiscal year 1991. Under milestone authorization, up to five years of funding can be approved to cover the entire acquisition phase for either full-scale development or full-rate production. This report examines the Non-Line-of-Sight Missile, the Light Helicopter, the MK-50 Torpedo, the Sensor Fuzed Weapon, the Advanced Tactical Fighter, and the Joint Tactical Information Distribution System Class 2 Terminals.

**Defense Budget Issues:
Effect of Civilian Hiring Freeze on Fiscal Year 1991 Budget**

GAO/NSIAD-90-232BR, June 29.

DOD announced a civilian personnel hiring freeze on January 11, 1990. DOD estimates that it will save about \$780 million in fiscal year 1991 because of the freeze. However, DOD officials caution that this figure

may include about \$300 million from Defense Management Review initiatives that have already been incorporated into the total fiscal year 1991 budget, but not yet allocated to specific amounts. GAO concludes that DOD's methodology for calculating savings is reasonable and that its savings calculations are accurate.

Testimony

Status of the Air Force's C-17 Aircraft Program, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Projection Forces and Regional Defense, Senate Committee on Armed Services. GAO/T-NSIAD-90-48, June 19.

The C-17 aircraft, which is designed to airlift substantial payloads over long ranges without refueling, should be particularly useful in airlifting military cargo into small, austere airfields. GAO testified that although some progress has been made in developing the C-17 aircraft, the program still faces significant cost and schedule challenges. For example, cost estimates for producing 210 aircraft have increased by 11 percent—from \$37.5 billion to \$41.8 billion. Also, the C-17's first flight date has slipped from August 1990 to June 1991, and further delays may occur because of continuing difficulties with aircraft assembly and avionics development and testing. In addition, the projected weight of the aircraft could still adversely affect whether the contract performance requirements can be met. On the basis of current schedule delays and the resulting funding buildup, GAO testified that Congress should consider further reducing the proposed fiscal year buy of two C-17 aircraft and the advanced procurement funds for six aircraft in fiscal year 1992. This could help further reduce concurrency in the program by having the Air Force limit production until the critical elements of a realistic and achievable flight test program are completed and any identified problems resolved.

Natural Resources

**Water Subsidies:
The Westhaven Trust Reinforces the Need to Change Reclamation Law**

GAO/RCED-90-198, June 5.

GAO looked at whether the sale of the J.G. Boswell Company's Boston Ranch to the Westhaven Trust was an example of a large farming operation continuing to receive federally subsidized water on its entire

acreage. The transaction involved the sale of 23,328 acres to the Westhaven Trust in May 1989. GAO found that after the sale, the Boston Ranch was reorganized into multiple, individual landholdings. Because each landholding is within the 960-acre limit, all of them qualify for federally subsidized water under current reclamation law. However, for all practical purposes, the landholdings continue to be run collectively as one large farming operation, much as they were before their sale to the Westhaven Trust. Had the Westhaven Trust been subject to the 960-acre limitation, the trust would have had to pay the federal government about \$2 million more each year for its water. Unless Congress changes the law to prevent arrangements such as the Westhaven Trust from receiving subsidized water on land in excess of the 960-acre limit, reduced revenues are likely to continue.

Testimony

Views on Fish and Wildlife Service's Biological Opinion Addressing Mt. Graham Astrophysical Facility, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs, and before the Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries. GAO/T-RCED-90-92, June 26.

In July 1988, the Department of the Interior's Fish and Wildlife Service rendered an opinion that the University of Arizona could locate three telescopes on Mt. Graham without jeopardizing the Mt. Graham red squirrel, an endangered species. As a result, Congress passed the Arizona-Idaho Conservation Act of 1988, which mandated federal agency approval of the project's construction. However, GAO testified that the soundness of the development is questionable. That the squirrel's prospects have worsened since the opinion was rendered and the act was passed is another factor raising questions about the soundness of the construction of the observatory. Congress must choose between allowing construction of the observatory as planned or mandating the Fish and Wildlife Service to update its biological opinion in light of the designation of the squirrel's critical habitat, the significant decline in the squirrel population, and GAO's concerns about the process used to arrive at the biological opinion. This may require additional legislation to hold construction in abeyance until a new biological opinion is rendered.

Science, Space, and Technology

Technology Transfer: Copyright Law Constrains Commercialization of Some Federal Software

GAO/RCED-90-145, June 1.

In response to concern about the U.S. trade deficit and the ability of U.S. businesses to compete in world markets, Congress and the administration have strengthened the links between the nation's research and technology base and U.S. industry. They were particularly interested in stimulating the transfer of technology from government-operated laboratories, which spent about \$15.8 billion on research and development in fiscal year 1989, to U.S. businesses. However, GAO has found that copyright law can constrain the transfer of federal computer software to U.S. businesses. This report discusses (1) federal agencies' efforts to comply with the prohibition of copyrighting government works, (2) the extent to which copyright law has constrained the transfer of federal computer software and other technologies, and (3) the pros and cons of amending copyright law to allow federal agencies to copyright software.

Technology Development: Future Use of NASA's Large Format Camera Is Uncertain

GAO/NSIAD-90-142, June 6.

NASA has spent more than \$11.4 million to develop a precision camera—known as the Large Format Camera—that can take high-resolution three-dimensional photographs from space. The camera was flown only once, in 1984, on the shuttle Challenger. Since then, it has been in storage. GAO looked at why this camera has been in storage since its maiden flight and whether it can be used in the future. GAO believes that NASA should consider using the camera on aircraft such as the Earth Resources Research aircraft. If this proves unfeasible, then NASA should consider putting the camera on display someplace like the National Air and Space Museum.

Aerospace Technology: Technical Data and Information on Foreign Test Facilities

GAO/NSIAD-90-71FS, June 22.

This report is the first in a planned series of reports on aerospace investment in foreign countries. GAO reviewed investment in foreign

aerospace vehicle research and technological development efforts. Specifically, this report provides technical data on foreign aerospace test facilities (wind tunnels and air-breathing propulsion test cells) and their capabilities.

Social Services

Interstate Child Support: Better Information Needed on Absent Parents for Case Pursuit

GAO/HRD-90-41, May 24.

Efforts to collect child support from out-of-state parents have been frustrated by missing or inaccurate addresses and employment information. Without good information, interstate collection efforts languish and welfare benefits are paid to families who might not otherwise need them. GAO found that as a result of information problems, child support agencies do not pursue some interstate cases or use lengthy, cumbersome procedures to refer other cases for enforcement to the state where the absent parent lives. Further, when initiating agencies refer cases with missing and inaccurate information to other states, these states (1) may waste resources trying to find absent parents who may not live there, (2) may encounter delays, and (3) are unlikely to collect support. Initiating agencies often do not use responding state parent locator services to obtain needed parent information because the services respond slowly. Also, some initiating agencies cannot access other data sources—like national motor-vehicle records—that have useful address and employment data. Moreover, initiating agencies sometimes do not verify critical information obtained from custodial parents or other sources before referring cases to other states for action and send some to the wrong state.

Tax Policy and Administration

Tax Administration: Status of IRS' Test of a Business Information Returns Program

GAO/GGD-90-38, May 29.

Third-party sources, like banks, must file information returns with IRS to report payments, such as interest and dividends, that they make to individuals. Like the individual document-matching program, a business document-matching program could be designed to computer-match business' information returns to their income tax returns to identify those businesses that may have underreported their income and failed to file

tax returns. This is GAO's second report on IRS' plans, time frames, and accomplishments concerning its evaluation of a business document-matching program.

**Tax Administration:
IRS Can Improve Its Process for Recognizing Tax-Exempt
Organizations**

GAO/GGD-90-55, June 8.

IRS receives over 50,000 requests annually for tax-exempt status and had recognized over 1.2 million tax-exempting organizations by the end of fiscal year 1989. However, because many of the groups applying for tax exempt status are new or have had limited activity, IRS often makes a determination on the basis of proposed activities. IRS cannot make a firm determination about whether an organization is operating for a tax-exempt purpose until it examines the annual information returns filed by the organization. GAO found that IRS could take several administrative steps to better use its resources and improve the efficiency of its determination process. This could then free up more resources for use in the examination process.

**Information Returns:
Correcting Taxpayer Identification Is Possible Without Disclosing
Tax Data**

GAO/GGD-90-90, June 5.

As part of IRS' Information Returns Program, banks and other financial institutions must file information returns annually with IRS. These returns report interest and dividend payments made to individuals. Of the 407 million interest and dividend returns filed for calendar year 1988 (totaling \$511 billion), IRS was unable to match about 20 million, or five percent, of the returns. This was because the payee's name or taxpayer identification number—usually a Social Security number—did not match information in either Social Security or IRS files. When a mismatch is discovered, IRS sends the payee's identification number back to the payors to obtain correct information. However, payors have complained that IRS does not provide them with enough information to determine why a mismatch occurred. IRS believes that providing payors with specific information would constitute an unauthorized disclosure of taxpayer information. This report examines ways to resolve, with the

least disclosure of return information possible, discrepancies between data found in information returns and in IRS records.

Transportation

Coast Guard: Magnitude of Alcohol Problems and Related Maritime Accidents Unknown

GAO/RCED-90-150, May 24.

Every year U.S. and foreign ships carry billions of gallons of oil and other hazardous cargo in and out of U.S. ports. Because alcohol abuse could be a contributing factor in accidents involving these ships, the Coast Guard is required to establish intoxication regulations for the maritime industry. However, GAO found that the Coast Guard does not know the magnitude of alcohol problems in the maritime industry. Because the Coast Guard does not keep relevant statistics, it can neither measure the effectiveness of its efforts to prevent alcoholics from serving on commercial vessels nor evaluate how to better allocate its resources to reduce the number of alcohol-related accidents. Although regulations allow investigative officers to test blood alcohol levels of crew if there is a reasonable cause, very few tests have been done in the past two years. Officers now lack the training and equipment to administer intoxication tests at maritime accident sites. GAO believes that Congress should consider granting the Coast Guard (1) authority to withhold or revoke the initial merchant mariner document—the official paper needed to work on U.S. commercial vessels—from alcohol abusers and (2) access to the National Driver Registration to verify applicants' statements on alcohol-related convictions. GAO believes that further improvements could be made if the Coast Guard availed itself of FBI checks for upgraded documents and license upgrades or renewals. The Coast Guard should also have its medical forms specifically require information on alcohol use.

Transportation Infrastructure: States Benefit From Block Grant Flexibility

GAO/RCED-90-126, June 8.

GAO reviewed the experience of five states—California, Minnesota, New York, Rhode Island, and Texas—participating in the Federal Highway

Administration's Combined Road Plan demonstration project. The demonstration project is similar to a block grant in that it gives state officials greater latitude (than would be allowed under a traditional categorical program) in determining how certain federal-aid highway funds will be spent. In this report, GAO (1) reviews how states have benefitted from the funding flexibility provided by the demonstration project (2) identifies the administrative advantages states have derived from streamlined operating procedures provided by the demonstration project, and (3) reviews how states' administration of the federal-aid highway program compares with federal administration of the program.

**Transportation Infrastructure:
A Comparison of Federal and State Highway Laws**

GAO/RCED-90-157, June 27.

In 1987 Congress authorized the Combined Road Plan—a block grant demonstration project designed to test the feasibility of giving states more flexibility to administer highway funds. The demonstration project not only gives states more latitude in making funding decisions, but allows them to perform administrative functions like approving design exceptions and doing final project inspections. GAO examined prevailing wage, environmental design, Disadvantaged Business Enterprise, and highway design laws at the state and federal level to see whether they afforded equivalent protections. Congress could use this information to decide whether states could assume more responsibility for the federal highway program in these areas. GAO found that while some state prevailing wage, environmental, disadvantage business contracting, and highway design laws parallel the federal statutes, others vary considerably.

**Airline Scheduling:
Airlines' On-Time Performance**

GAO/RCED-90-154, June 15.

GAO found that airlines have adjusted the amount of time that they schedule for flights to develop schedules that are as short as possible yet still allow flights to be on time. However, the airlines' on-time performance, on average, has not improved since the reporting requirement began in September 1987. The purpose of on-time reporting requirements is to provide consumers with information on airlines' timeliness. Yet the on-time performance statistics neither indicate how late flights

are nor provide information on why some flights are canceled. In addition, while airlines are permitted to exclude flights with mechanical problems from the on-time data, DOT does not verify that these flights experienced mechanical problems.

Testimony

Serious Shortcomings in FAA's Training Program Must Be Remedied, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-90-86, June 6; and

Serious Shortcoming in FAA's Training Program Must Be Remedied, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, Aviation and Materials, House Committee on Science, Space, and Technology. GAO/T-RCED-90-91, June 21.

A safe and efficient air traffic control system depends on well-trained FAA staff. However, GAO testified that FAA's training program is not meeting the needs of employees and that FAA has made little progress in modernizing its training. GAO discussed training of the Federal Aviation Administration's safety-related work forces: air traffic controllers, aviation safety inspectors, and maintenance technicians. In light of FAA's extraordinary training needs, along with the link between deficiencies in safety-related work force training and impairments in air traffic safety, GAO urges that FAA begin to resolve these issues now. GAO believes that continuing to delay will only increase the potential for safety-related problems.

International Aviation: Implications of Ratifying the Montreal Aviation Protocols, by Kenneth M. Mead, Director of Transportation Issues, before the Senate Committee on Foreign Relations. GAO/T-RCED-90-83, June 19.

The Montreal Protocols update rules established in the 1920s on the international air transportation of passenger, baggage, and cargo. The U.S. government has long been dissatisfied with the low levels of compensation permitted under international agreements, and the Protocols are designed to address these deficiencies. For example, the Protocols would increase the current limit on airline liability to about \$130,000 per passenger. GAO testified on how the Protocols would affect the level and timeliness of compensation for victims of international aviation accidents and whether the Protocols might also affect the safety of international air travel.

Veterans Affairs

Veterans' Benefits: Improved Management Needed to Reduce Waiting Time for Appeal Decisions

GAO/HRD-90-62, May 25.

During fiscal year 1989, the Department of Veterans Affairs paid about \$15 billion for disability benefits and processed about 700,000 initial or reopened claims for these benefits. About 60,000 veterans appealed the decisions on their claims. However, in 1989 the average processing time for appeals decided by the Board of Veterans Appeals was 463 days—an increase of 44 days, or 11 percent, over 1988. Such untimely appeals delay financial, medical, and other benefits to which veterans are entitled. GAO found that improved management could reduce appeal processing time. This report details the management weaknesses identified by GAO.

VA Health Care: Improvements Needed in Nursing Home Planning

GAO/HRD-90-98, June 12.

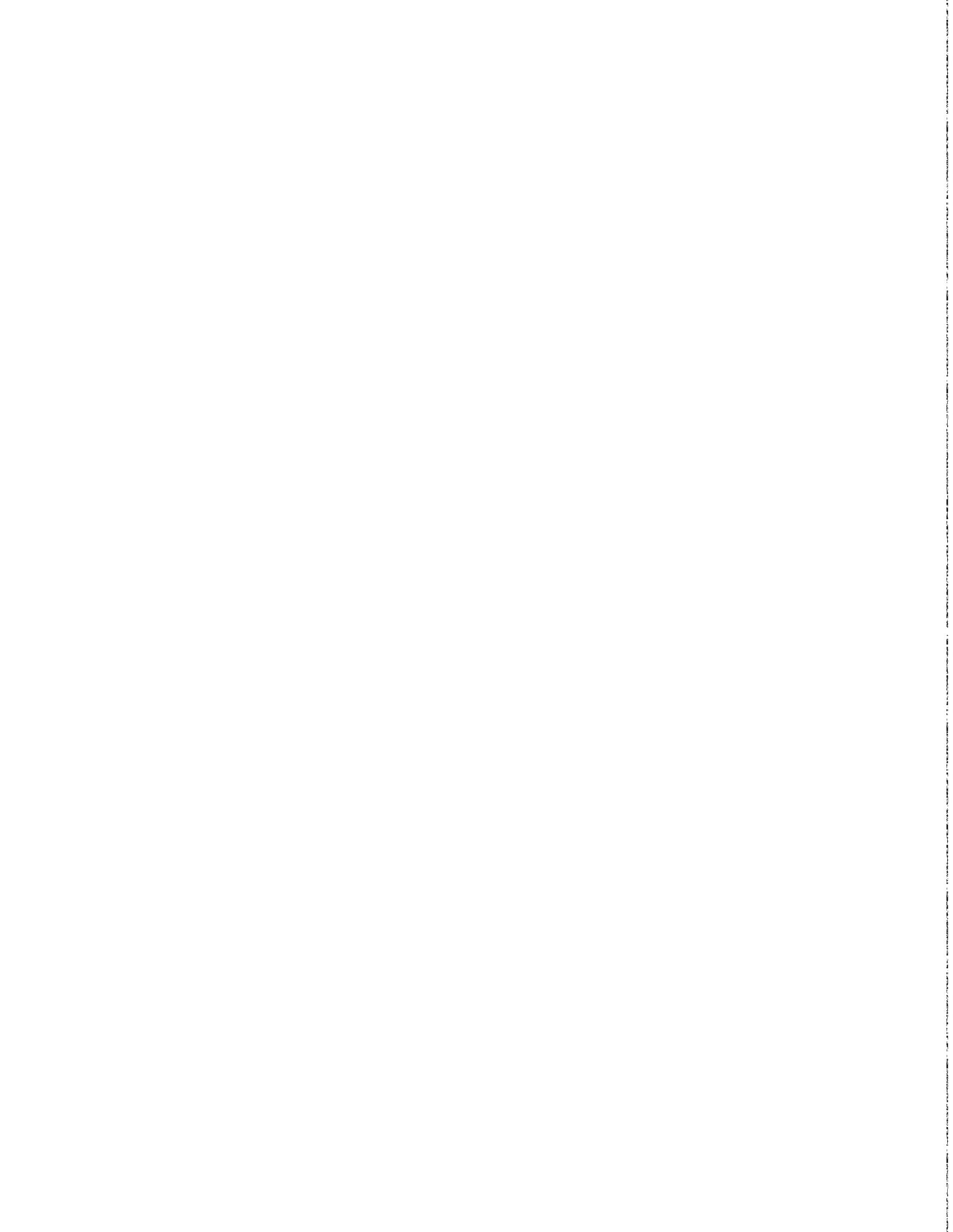
VA faces a major challenge: how to meet the long-term care needs of a rapidly aging veteran population. The number of veterans 65 years and older is projected to grow to nine million by 2000—a 50-percent increase over the 1988 level. VA's current goal is to provide 47,000 nursing home beds by fiscal year 2000, an increase of 14,000 beds over fiscal year 1988. GAO is concerned that because of inaccurate estimates, VA may add nursing home beds where they are not needed or fail to add them where they are needed.

Testimony

VA Health Care Cost Recoveries, by Edward A. Densmore, Director of Planning and Reporting in the Human Resources Division, before the Subcommittee on Hospitals and Health Care, House Committee on Veterans' Affairs. GAO/T-HRD-90-40, June 20.

In April and May of 1990, GAO reported on efforts by the VA to (1) collect from insurers the cost of health care provided to veterans without service-connected disabilities and (2) collect fees, generally referred to as copayments, from veterans who have income or assets above prescribed limits. While VA's collections exceeded its recovery costs, VA had the potential to collect substantially more than it did—perhaps another

\$223 million. Ineffective procedures and a reluctance to spend the resources needed to maximize recoveries contributed to missed collection opportunities. In this testimony, GAO notes that VA has already responded to GAO's recommendations by (1) developing a comprehensive plan to improve its recovery procedures and (2) proposing legislation to improve the financing of its recovery efforts. GAO believes that VA is on the right road to realizing more fully its health care cost recovery potential.





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U.S. Grain Sales:
Inventory Sales Raise Issues for
Legislative Consideration
GAO/RCED-90-120, May 22

Food Stamp Program:
Achieving Cost Neutrality in Wash-
ington's Family Independence
Program
GAO/RCED-90-84, June 28.

Testimony

Opportunities for Budget
Savings in Domestic Agricultural
Programs
GAO/T-RCED-90-93, June 28.

BUDGET AND SPENDING

Impoundments:
Comments on Proposed Deferrals
of Economic Support Fund, DOD
Wildlife Conservation, and SSA
Construction Budget Authority
GAO/OGC-90-7, May 22.

Impoundments:
Proposed Rescissions of Budget
Authority for the Agriculture and
Commerce Departments
GAO/OGC-90-8, May 25.

BUSINESS, INDUSTRY, AND CONSUMERS

Telecommunications:
Follow-Up National Survey of
Cable Television Rates and
Services
GAO/RCED-90-199, June 13.

Testimony

Follow-Up National Survey of
Cable Television Rates and
Services
GAO/T-RCED-90-89, June 14.

EDUCATION

Consolidated Student Loans:
Borrowers Benefit but Costs to
Them and the Government Grow
GAO/HRD-90-8, June 15.

Testimony

National Endowment for the
Arts' Compliance With Section
304(A) Of the 1990 Interior Depart-
ment Appropriations Act
GAO/T-OGC-90-5, June 6.

U.S. And Foreign Strategies for
Preparing Noncollege Youth for
Employment
GAO/T-HRD-90-31, June 14.

EMPLOYMENT

Unemployment Insurance:
Trust Fund Reserves Inadequate
to Meet Recession Needs
GAO/HRD-90-124, May 31.

Testimony

Trends in the Number of Strikes
and Use of Permanent Strike
Replacements in the 1980s
GAO/T-HRD-90-34, June 6; and
GAO/T-HRD-90-41, June 13.

ENERGY

Nuclear Safety:
Concerns About Reactor Restart
and Implications for DOE's Safety
Culture
GAO/RCED-90-104, Apr 12.

Nuclear Security:
DOE Oversight of Livermore's
Property Management System Is
Inadequate
GAO/RCED-90-122, Apr. 18.

Nuclear Science:
U.S. Electricity Needs and DOE's
Civilian Reactor Development
Program
GAO/RCED-90-151, May 29.

Nuclear Waste:
Changes Needed in DOE User-
Fee Assessments to Avoid
Funding Shortfall
GAO/RCED-90-65, June 7.

Nuclear R&D:
Usefulness of Information From
Shippingport Decommissioning for
Rancho Seco
GAO/RCED-90-171, June 7.

Energy R&D:
DOE's Allocation of Funds for
Basic and Applied Research and
Development
GAO/RCED-90-148BR, May 24.

Fossil Fuels:
Outlook for Utilities' Potential Use
of Clean Coal Technologies
GAO/RCED-90-165, May 24.

Gasoline Marketing
Uncertainties Surround Reformu-
lated Gasoline as a Motor Fuel
GAO/RCED-90-153, June 14.

Energy Policy:
Developing Strategies for Energy
Policies in the 1990s
GAO/RCED-90-85, June 19.

Testimony

Correcting Environmental
Problems Facing the Nuclear
Weapons Complex
GAO/T-RCED-90-85, May 17.

Consumers Have Limited
Assurance That Octane Ratings
Are Accurate
GAO/T-RCED-90-90 and
GAO/T-RCED-90-90a, June 20.

ENVIRONMENTAL PROTECTION

Toxic Substances:
EPA's Chemical Testing Program
Has Made Little Progress
GAO/RCED-90-112, Apr. 25.

Water Pollution:
Alyeska's Efforts to Comply With
Reissued Ballast Water Treatment
Permit
GAO/RCED-90-124, May 8.

Air Pollution:
Reliability of EPA's Mobile Source
Emission Model Could Be
Improved
GAO/RCED-90-138, May 14.

Hazardous Waste:
Funding of Postclosure Liabilities
Remains Uncertain
GAO/RCED-90-64, June 1.

Testimony

EPA's Chemical Testing Pro-
gram Has Made Little Progress
GAO/T-RCED-90-88, June 20.

FINANCIAL INSTITUTIONS

Failed Thrifts:
Better Controls Needed Over Fur-
niture, Fixtures, and Equipment
GAO/GGD-90-87, May 25.

FINANCIAL MANAGEMENT

Financial Management:
Analysis of Operating Cash Bal-
ance of Navy Stock Fund
GAO/AFMD-90-59, May 2.

Financial Management:
Army Stock Fund Pricing and
Refund Practices
GAO/AFMD-90-68, May 9.

Financial Management:
Bureau of Indian Affairs' Efforts to
Implement New Accounting
System
GAO/AFMD-90-60, May 24.

Financial Management:
Forest Service Is Not Consistently
Implementing Charge-As-Worked
Cost Reporting
GAO/AFMD-90-50, June 12.

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Financial Audit:
Rural Electrification Administration's Financial Statements for 1988 and 1987
GAO/AFMD-90-73, June 13.

Testimony

Audits of Small Business Investment Companies
GAO/T-AFMD-90-23, June 21.

GOVERNMENT OPERATIONS

Export Promotion:
Personnel Management Issues in the U.S. And Foreign Commercial Service
GAO/NSIAD-90-51, Mar. 16

Performance Management:
Appraisal and Promotion Results at the U.S. Customs Service
GAO/GGD-90-40, May 18.

Law Enforcement:
Recruitment, Retention, and Compensation of Support Staff
GAO/GGD-90-60, May 22

D.C. Government:
Information on the Police Recruit Training Program
GAO/GGD-90-68FS, May 24.

Testimony

Office of Government Ethics' Oversight Role
GAO/T-GGD-90-48, June 5.

Excess and Surplus Personal Property Transfer Program
GAO/T-GGD-90-49, June 7.

Conflicts Between Postal and Municipal Boundaries
GAO/T-GGD-90-47, June 7.

Selected Personnel Practices of the Voice of America Warrant Management Attention
GAO/T-NSIAD-90-49, June 19.

A New Dollar Coin Has Budgetary Savings Potential but Questionable Acceptability
GAO/T-GGD-90-50, June 20.

HEALTH

Drug-Exposed Infants:
A Generation at Risk
GAO/HRD-90-138, June 28.

Nonprofit Hospitals:
Better Standards Needed for Tax Exemption
GAO/HRD-90-84, May 30.

Minority Health:
Information on Activities of HHS' Office of Minority Health
GAO/HRD-90-140FS, June 6.

Medicare:
Second Status Report on Medicare Insured Group Demonstration Projects
GAO/HRD-90-117, June 6.

Medicare:
HCFA Can Reduce Paperwork Burden for Physicians and Their Patients
GAO/HRD-90-86, June 20.

Health Care:
Criteria Used to Evaluate Hospital Accreditation Process Need Reevaluation
GAO/HRD-90-89, June 11.

Rural Hospitals:
Federal Leadership and Targeted Programs Needed
GAO/HRD-90-67, June 12.

Rural Hospitals:
Factors That Affect Risk of Closure
GAO/HRD-90-134, June 19.

Testimony

Health Insurance: Availability and Adequacy for Small Businesses
GAO/T-HRD-90-33, June 5.

Medigap Insurance: Proposals for Regulatory Changes and 1988 Loss Ratio Data
GAO/T-HRD-90-35, June 7.

Medicare: Effects of Budget Reductions on Contractor Program Safeguard Activities
GAO/T-HRD-90-42, June 14.

National Institutes of Health:
Problems in Implementing Policy on Women in Study Populations
GAO/T-HRD-90-38, June 18.

HCFA Needs Better Assurance That Hospitals Meet Medicare Conditions of Participation
GAO/T-HRD-90-44, June 21.

Drug-Exposed Infants: A Generation at Risk
GAO/T-HRD-90-46, June 28.

Nonprofit Hospitals: Better Standards Needed for Tax Exemption
GAO/T-HRD-90-45, June 28.

HOUSING

Homelessness:
McKinney Act Reports Could Improve Federal Assistance Efforts
GAO/RCED-90-121, June 4.

Assisted Housing:
Rent Burdens in Public Housing and Section 8 Housing Programs
GAO/RCED-90-129, June 19.

Rental Housing:
Inefficiencies From Combining Moderate Rehabilitation and Tax Credit Subsidies
GAO/RCED-90-168, June 19.

Testimony

Impact of FHA Loan Policy Changes on Its Cash Position
GAO/T-RCED-90-70, June 6.

Issues Pertaining to the Management of the Buffalo Municipal Housing Authority
GAO/T-RCED-90-87, June 9.

INCOME SECURITY

Testimony

Social Security: Many Administrative Law Judges Oppose Productivity Initiatives
GAO/T-HRD-90-39, June 13.

Federal Government's Oversight of Pension and Welfare Funds
GAO/T-HRD-90-37, June 13.

INFORMATION MANAGEMENT

FAA Procurement:
Major Data-Processing Contract Should Not Be Awarded
GAO/IMTEC-90-38, May 25.

Air Force ADP:
Depot Maintenance System Development Risks Are High
GAO/IMTEC-90-46, May 25.

Space Communications:
Performance of NASA's White Sands Ground Terminal
GAO/IMTEC-90-56, May 29.

Geographic Information System:
Forest Service Not Ready to Acquire Nationwide System
GAO/IMTEC-90-31, June 21.

INTERNATIONAL AFFAIRS

International Finance:
Update on U.S. Commercial Banks' Securities Activities in London
GAO/NSIAD-90-98, May 7.

Export Controls:
Advising U.S. Business of Policy Changes
GAO/NSIAD-90-201, May 18.

Export Controls:
U.S. Policies and Procedures Regarding the Soviet Union
GAO/NSIAD-90-185FS, May 24.

Export Controls:
Commerce Department Has Improved Its Foreign Policy Reports to Congress
GAO/NSIAD-90-169, June 12.

Economic Assistance:
Integration of Japanese Aid and Trade Policies
GAO/NSIAD-90-149, May 24.

Foreign Investment:
Concerns in the Banking, Petroleum, Chemicals, and Biotechnology Sectors
GAO/NSIAD-90-129, May 30.

International Trade:
Export Enhancement Program's Recent Changes and Future Role
GAO/NSIAD-90-204, June 14.

Cargo Preference Requirements:
Their Impact on U.S. Food Aid Programs and the U.S. Merchant Marine
GAO/NSIAD-90-174, June 19.

European Single Market:
U.S. Government Efforts to Assist Small and Medium-Sized Exporters
GAO/NSIAD-90-167, June 21.

Agricultural Trade:
Improvements Needed in Management of Targeted Export Assistance Program
GAO/NSIAD-90-225, June 27.

Testimony

National Security Review of Two Foreign Acquisitions in the Semiconductor Sector
GAO/T-NSIAD 90 47, June 13.

□ Restrictions on U.S. Aid to Bolivia for Crop Development Competing With U.S. Agricultural Exports and Their Relationship to U.S. Anti-Drug Efforts
GAO/T-NSIAD-90-52, June 27.

□ Status Report on GAO's Review of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs
GAO/T-NSIAD-90-53, June 28.

JUSTICE AND LAW ENFORCEMENT

□ Illegal Drugs: Observations and Selected Data Concerning Portland, Maine
GAO/GGD-90-86, May 14.

□ Criminal Aliens: Prison Deportation Hearings Include Opportunities to Contest Deportation
GAO/GGD-90-79, May 25.

□ Drug Control: How Drug-Consuming Nations Are Organized for the War on Drugs
GAO/NSIAD-90-133, June 4.

□ Asset Forfeiture: Legislation Needed to Improve Cash Processing and Financial Reporting
GAO/GGD-90-94, June 19.

Testimony

□ IRCA Anti-Discrimination Amendments of 1990
GAO/T-GGD-90-51, June 27.

□ Federal Appropriations for State Legalization Impact Assistance Grants
GAO/T-HRD-90-43, June 27.

NATIONAL DEFENSE, SECURITY, AND MILITARY PROCUREMENT

□ Hazardous Materials: DOD Should Eliminate DS2 From Its Inventory of Decontaminants
GAO/NSIAD-90-10, Apr. 25.

□ Defense Inventory: Defense Logistics Agency Needs to Better Manage Procurement Leadtimes
GAO/NSIAD-90-124, May 2.

□ Defense Inventory: Production, Distribution, and Storage of C-4 Explosive
GAO/NSIAD-90-139FS, May 7.

□ Tactical Intelligence: Army's Mohawk Surveillance Radar Program Restructure
GAO/NSIAD-90-156, May 11.

□ F-16 Program: Reasonably Competitive Premiums for European Coproduction
GAO/NSIAD-90-181, May 14.

□ Chemical Weapons: Obstacles to the Army's Plan to Destroy Obsolete U.S. Stockpile
GAO/NSIAD-90-155, May 24.

□ Army Reserve Components: Minimum Essential Equipment for Training Has Not Been Effectively Managed
GAO/NSIAD-90-136, May 25.

□ Procurement: Efforts Still Needed to Comply With the Competition in Contracting Act
GAO/NSIAD-90-104, May 30.

□ Arms Control: U.S. Efforts to Control the Transfer of Nuclear-Capable Missile Technology
GAO/NSIAD-90-176, June 1.

□ DOD Budget: Comparison of the Updated Five Year Plan With President's Budget
GAO/NSIAD-90-211BR, June 13.

□ Security Assistance: Observations on the International Military Education and Training Program
GAO/NSIAD-90-215BR, June 14.

□ Navy Maintenance: Improvements Needed in the Aircraft Engine Repair Program
GAO/NSIAD-90-193BR, June 18.

□ Homeporting: Status of Continuing Construction and Development
GAO/NSIAD-90-231, June 20.

□ Military Airlift: Peacetime Use of War Reserve Spares Reduces Wartime Capabilities
GAO/NSIAD-90-186, June 25.

□ Major Acquisition Programs: Selected Aspects of the Army's Forward Area Air Defense System
GAO/NSIAD-90-191, June 25.

□ Defense Acquisition Programs: Status of Selected Programs
GAO/NSIAD-90-159, June 27.

□ Defense Budget Issues: Effect of Civilian Hiring Freeze on Fiscal Year 1991 Budget
GAO/NSIAD-90-232BR, June 29.

Testimony

□ Status of the Air Force's C-17 Aircraft Program
GAO/T-NSIAD-90-48, June 19.

□ Department of Defense Management of Hazardous Waste
GAO/T-NSIAD-90-51, June 28.

NATURAL RESOURCES

□ Water Subsidies: The Westhaven Trust Reinforces the Need to Change Reclamation Law
GAO/RCED-90-198, June 5.

Testimony

□ Views on Fish and Wildlife Service's Biological Opinion Addressing Mt. Graham Astrophysical Facility
GAO/T-RCED-90-92, June 26.

SCIENCE, SPACE, AND TECHNOLOGY

□ Technology Transfer: Copyright Law Constrains Commercialization of Some Federal Software
GAO/RCED-90-145, June 1.

□ Technology Development: Future Use of NASA's Large Format Camera Is Uncertain
GAO/NSIAD-90-142, June 6.

□ Aerospace Technology: Technical Data and Information on Foreign Test Facilities
GAO/NSIAD-90-71FS, June 22.

SOCIAL SERVICES

□ Interstate Child Support: Better Information Needed on Absent Parents for Case Pursuit
GAO/HRD-90-41, May 24.

TAX POLICY AND ADMINISTRATION

□ Tax Administration: Status of IRS' Test of a Business Information Returns Program
GAO/GGD-90-38, May 29.

□ Tax Administration: IRS Can Improve Its Process for Recognizing Tax-Exempt Organizations
GAO/GGD-90-55, June 8.

□ Information Returns: Correcting Taxpayer Identification Is Possible Without Disclosing Tax Data
GAO/GGD-90-90, June 5.

TRANSPORTATION

□ Coast Guard: Magnitude of Alcohol Problems and Related Maritime Accidents Unknown
GAO/RCED-90-150, May 24.

□ Transportation Infrastructure: States Benefit From Block Grant Flexibility
GAO/RCED-90-126, June 8.

□ Transportation Infrastructure: A Comparison of Federal and State Highway Laws
GAO/RCED-90-157, June 27.

□ Airline Scheduling: Airlines' On-Time Performance
GAO/RCED-90-154, June 15.

Testimony

□ Serious Shortcomings in FAA's Training Program Must Be Remedied
GAO/T-RCED-90-86, June 6; and
GAO/T-RCED-90-91, June 21.

□ International Aviation: Implications of Ratifying the Montreal Aviation Protocols
GAO/T-RCED-90-83, June 19.

VETERANS AFFAIRS

□ Veterans' Benefits: Improved Management Needed to Reduce Waiting Time for Appeal Decisions
GAO/HRD-90-62, May 25.

□ VA Health Care: Improvements Needed in Nursing Home Planning
GAO/HRD-90-98, June 12.

Testimony

□ VA Health Care Cost Recoveries
GAO/T-HRD-90-40, June 20.



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