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# Reports and Testimony: March 1990

## Highlights

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### Immigration Reform

*The employer sanctions provision in the 1986 Immigration Reform and Control Act has produced a widespread pattern of hiring discrimination against people with a foreign appearance or accent, a side effect of the law's aim to curb the flow of illegal aliens into the U.S. Page 40.*

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### Lawn Pesticides

*Four years ago, the Environmental Protection Agency was doing little to protect consumers from false and misleading claims made by the lawn pesticides industry about the safety of its products. GAO finds EPA still isn't clamping down on offenders. Page 15.*

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### Space Operations

*Hundreds of thousands of magnetic tapes containing valuable scientific data from more than 260 NASA space missions face a serious risk of becoming unusable because of deplorable storage conditions. Page 58.*

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responsibilities for the Eastern Caribbean between Antigua and Grenada. However, because the Peace Corps was unaware that it needed to obtain formal State Department approval for this action, it did not fully implement the reorganization. In November 1989, the Peace Corps changed its original plan on the basis of a new evaluation of its operations in the Eastern Caribbean that recommended that the Peace Corps reduce over time the number of volunteers in the Leeward Islands. The Peace Corps sought and received the required State Department approval for this change. This briefing report details these reorganization efforts in the Eastern Caribbean.

**International Broadcasting:  
Construction of U.S. Radio Relay Station in Israel**

GAO/NSIAD-90-123FS, Mar. 14.

In 1987 the United States and Israel signed an agreement to allow the construction of a short-wave radio relay station in Israel. Radio Free Europe/Radio Liberty, a grantee of the Board for International Broadcasting, and the U.S. Information Agency's Voice of America will jointly use the station. Officials of these two groups told GAO that in the late 1970s and early 1980s several Middle Eastern countries were contacted about hosting a radio relay station. Only Israel responded positively to the U.S. inquiry. These officials said that technical requirements rather than cost alternatives were the major consideration in selecting the site in Israel. They also said that cost was not a major consideration in assigning the lead agency responsibility to the Board for International Broadcasting.

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**Testimony**

The President's Decision to Order a Chinese Company's Divestiture of a Recently Acquired U.S. Aircraft Parts Manufacturer, 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-90-21, Mar. 19.

In February 1990, the President ordered a firm of the People's Republic of China—the China National Aero-Technology Import and Export Corp.—to divest its recently acquired control of the U.S. firm, MAMCO Manufacturing, Inc. GAO's testimony discusses (1) the interagency process for reviewing national-security related foreign investments, (2) existing means for safeguarding information possessed by MAMCO, and

federal laboratories on developing computer software. The commercial applications of this software could yield important technological and economic benefits to our nation. Accordingly, GAO believes effective transfer of this software is an appropriate goal that could be achieved by amending the copyright law to provide copyright and exclusive licensing authority. Such a fundamental change, however, must be balanced against the concern that it might reduce the public's access to federal databases and shift the federal laboratories' basic research mission.

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## International Affairs

### **South Africa: Debt Rescheduling and Potential for Financial Sanctions**

GAO/NSIAD-90-109BR, Feb. 16.

GAO analyzed South Africa's financial situation and the U.S. options for imposing further financial sanctions against that country. This briefing report looks at South Africa's debt, loan rescheduling arrangements, and the feasibility of excluding South Africa from funds transfer systems that facilitate international trade and payments.

### **El Salvador: Pipeline of U.S. Military and Economic Aid**

GAO/NSIAD-90-121FS, Feb. 23.

In light of upcoming congressional debates on U.S. aid to El Salvador, GAO has been examining (1) the amount of military and economic assistance that is in the pipeline—funds appropriated but not yet expended—and the mechanism available to reduce or cut off aid, (2) the number and roles of U.S. military personnel in El Salvador, and (3) the effectiveness of the military aid program. This fact sheet provides financial data and looks at the mechanisms available to reduce or cut off aid.

### **Peace Corps: Reorganization in the Eastern Caribbean**

GAO/NSIAD-90-93BR, Mar. 1.

In an attempt to alleviate management and operational problems, the Peace Corps initially decided in the fall of 1988 to split management

checks will be the first not to have catastrophic coverage premiums withheld. Consequently, the Treasury will issue two refunds—one in February and one in April. The government will spend about \$49 million to return the excess withholding of \$572 million. SSA officials acknowledge that withholding premiums could have been stopped sooner if the agency's software programs for catastrophic coverage premiums had been better organized and easier to maintain. Reducing the time needed to reprogram SSA's computers might have eliminated the need for a second refund check, thereby lowering overall costs. The lack of well organized, easy to maintain software is a long-standing problem that SSA is addressing in its efforts to overhaul its computer systems.

**Telecommunications:  
Issues Concerning Licensing of Telecommunications Engineers and Technicians**

GAO/RCED-90-106FS, Mar. 19.

GAO reviewed the status of state involvement in the licensing of radio and telecommunications engineers and technicians in the wake of the FCC's decision to end its own licensing program. This fact sheet describes FCC's past involvement in licensing operators, states' enforcement of professional engineering statutes, and views on states' action by various affected organizations. The report also discusses a proposal to preempt state jurisdiction.

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**Testimony**

Copyright Law Constraints on the Transfer of Certain Federal Computer Software With Commercial Applications, by Keith O. Fultz, Director of Planning and Reporting, before the Subcommittee on Courts, Intellectual Property and the Administration of Justice, House Committee on the Judiciary. GAO/T-RCED-90-44, Mar. 7.

Copyright law prohibits copyrighting the federal government's computer software. GAO found no evidence that federal agencies are copyrighting works of the federal government. However, senior officials at five agencies believe the government's inability to copyright and exclusively license federal software has significantly constrained their efforts to transfer computer software with potential commercial applications to U.S. businesses. They estimate this software could represent as much as 10 percent of all the software developed at their laboratories. In particular, uncertainties about the extent of protection afforded jointly developed works have discouraged U.S. businesses from collaborating with

accepted internal control procedures in managing these arrangements and did not adequately monitor DOD organizations acting on its behalf to ensure that they properly administered the contracting efforts. As a result, the Services Center inappropriately spent about \$145,000. This report also discusses (1) the Defense Logistic Agency's plans to procure the software, hardware, and/or services needed to provide a compact disc system and the potential for commercial involvement in the procurement and (2) the impact of the Agency's decision to include business or otherwise sensitive data in the product in its acquisition approach.

**Medical ADP Systems:**

**Composite Health Care System: Defense Faces a Difficult Task**

GAO/IMTEC-90-42, Mar. 15.

The Composite Health Care System is a state-of-the art, integrated medical information system that DOD is considering for its 767 medical treatment facilities worldwide. The system is designed to improve the timeliness, availability, and quality of patient-care data. By replacing manual and existing automated information systems, the Composite Health Care System would allow physicians instant access to patient medical records. This report looks at (1) whether DOD will be able to test and evaluate the system adequately before its planned procurement/deployment decision, (2) DOD's latest cost and funding estimates, and (3) the reasonableness of DOD's projected benefits. GAO summarized this report in testimony before Congress; see:

Defense's Acquisition of the Composite Health Care System, by Daniel C. White, Special Assistant to the Comptroller General, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-IMTEC-90-04, Mar. 15.

**Medicare Catastrophic:**

**Roll Back of Premiums on Schedule**

GAO/IMTEC-90-30, Mar. 16.

GAO looked at the Social Security Administration's efforts to stop withholding Medicare catastrophic coverage premiums. While Congress repealed most provisions of the Medicare Catastrophic Coverage Act of 1988 effective January 1, 1990, SSA was unable to stop withholding catastrophic coverage payments by that date without jeopardizing timely payment of Social Security benefits. The May 1990 Social Security

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collection information could be electronically “captured” from cash registers at ports, thereby eliminating the need to manually record collection transactions on pre-numbered collection documents. In addition, hand-held devices now available could automate the revenue collection process in locations where there are no cash registers.

**Army ADP Procurement:  
Contracting and Market Share Information**

GAO/IMTEC-90-28FS, Mar. 1.

As part of its comprehensive review of federal agencies’ compatible computer procurements, GAO looked at the Army’s procurement of mainframe computers and mainframe peripherals. GAO found that during the 3 1/2 fiscal years ending in March 1989, about 98 percent of such Army procurements required compatibility. The Army required IBM compatibility in 427 of its 478 compatible procurements (about 89 percent). When GAO used dollars for comparison—as opposed to the number of procurements—it found that in each fiscal year covered, the Army obligated more dollars to (1) IBM-compatible procurements than to any other type of compatible procurement and (2) IBM than to any other equipment manufacturer. This fact sheet also presents information on the Army’s procurement methods, including the Army’s use of contractors that participate in the Small Business Administration’s program for small disadvantaged businesses. GAO also collected information on Army procurements done under the Warner Amendment, which exempts DOD from GSA oversight when procuring certain military-related automated data processing resources.

**Information Technology:  
DOD’s Federal Logistics Data on Compact Disc Program**

GAO/NSIAD-90-101, Mar. 15.

The Department of Defense has started a program to publish the government’s catalog of logistics information using compact discs rather than microfiche. The Defense Logistics Agency and its Defense Logistics Services Center developed and manage the program. GAO believes the Services Center’s initiation of the prototype development project was appropriate. However, GAO found that while the Services Center used complex contractual arrangements in managing the prototype project, some of these arrangements did not comply with existing laws and regulations. In addition, the Services Center did not follow commonly

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on GSA's review of agency requests to procure telecommunications services and equipment.

**Automated Systems:  
Legislative Branch's Efforts in Sharing Payroll/Personnel Systems**

GAO/IMTEC-90-20, Feb. 20.

A May 1989 GAO report discussed ways the Architect of the Capitol, the Library of Congress, and the Government Printing Office could obtain payroll and personnel support from other agencies instead of developing and maintaining their own individual systems. For this report, GAO looked at their efforts to obtain that support. GAO found that the Library is converting its payroll/personnel system to that of the Department of Agriculture's National Finance Center and expects to be fully converted by July 1, 1990. The Architect and the Acting Public Printer have established task forces to study ways to improve their systems and, in response to this report, set April 15 and March 15, 1990, as respective target dates for deciding how to improve their payroll/personnel systems.

**Customs Automation:  
Duties and Other Collections Vulnerable to Fraud and Abuse**

GAO/IMTEC-90-29, Feb. 28.

At 300 ports of entry, over 8,000 U.S. Customs Service employees collect import duties, taxes, fees, fines, and penalties. Often these payments are made in cash or without checks and are recorded using pre-numbered collections documents. These documents serve both as a receipt to the payer and as a source for entering the transaction in Customs' automated information system. However, GAO found an almost total breakdown of internal controls over pre-numbered collection documents. Although the total is unknown, Customs estimates that several million collection documents could not be accounted for following nationwide inventories done in 1987 and 1988. The potential for abuse and coverup is enormous; fraud could result in millions of dollars in lost duties and other collections. GAO believes these weaknesses are serious enough to warrant disclosure and corrective actions under the provisions of the Federal Managers' Financial Integrity Act of 1982. GAO notes that modern technology has the potential to help control collections. For example,

were made available for targeted reviews of initial DDS allowances, substantially more incorrect benefit awards would be identified and reversed, with future benefit savings.

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## Information Management

### **Tax System Modernization: IRS' Challenge for the 21st Century**

GAO/IMTEC-90-13, Feb. 8.

IRS still processes tax returns using design concepts from the 1950s, such as batch processing and magnetic tape storage on reels. Paper-driven and labor intensive, the system relies on trucks and airplanes instead of modern telecommunications to move information across the country. The result is that data input and retrieval often take weeks, making taxpayer service slow and sometimes unreliable. This report discusses the progress of the IRS' Tax System Modernization program in achieving a fully automated and modernized tax processing system. IRS has spent about \$120 million on the program since it began in 1986. GAO specifically assesses (1) the extent to which the program will meet its overall goal of improved service to taxpayers and (2) whether individual components are guided by a strategic plan and have discrete, measurable deliverables. GAO summarized this report in testimony before Congress; see:

Progress in Meeting the Challenges of Modernizing IRS Tax Processing System, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-IMTEC-90-5, Mar. 22.

### **FTS 2000:**

### **An Overview of the Federal Government's New Telecommunications System**

GAO/IMTEC-90-17FS, Feb. 14.

This fact sheet discusses the Federal Telecommunications System 2000 (FTS 2000)—a new system that will provide the federal government with long-distance telecommunications services for the next 10 years. More specifically, the report describes (1) background on FTS 2000, including services available, system design, and features of the FTS 2000 contract and (2) the process used by the General Services Administration to grant exemptions to the use of FTS 2000. The report also provides information

amending federal Medigap standards that could improve consumer protection and the economic value of Medigap policies.

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## Housing

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### Testimony

Utility Allowances Provided to Public Housing and Section 8 Households and Resulting Rent Burdens, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-90-41, Mar. 7.

GAO testified on housing allowances provided to public housing and section 8 housings. Specifically, GAO discussed (1) the extent of utility allowances provided to those households, (2) the resulting rent burdens of households that receive these allowances, and (3) options available for changes.

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## Income Security

### **Social Security: SSA Could Save Millions By Targeting Reviews of State Disability Decisions**

GAO/HRD-90-28, Mar. 5.

The Social Security Administration spent almost \$30 million in fiscal year 1988 reviewing disability decisions made by state disability determination services (DDS). These reviews are done mainly to (1) see whether accuracy standards have been met and (2) correct as many erroneous benefit allowances as possible. GAO evaluated SSA's effectiveness in achieving this second objective. SSA selects all review cases randomly. While this is appropriate for the quality assurance sample that measures DDS accuracy, the preeffectuation review sample could produce better results if SSA targeted it to categories of cases most susceptible to incorrect DDS decisions. If SSA focused its sample on the more error-prone types of cases, like allowances of claims involving back injuries or chronic lung disease, it could correct more erroneous decisions than it does using a random approach, even with a lower volume of reviews. The current preeffectuation reviews of DDS continuances change very few DDS decisions. If the resources spent on those reviews

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**Methadone Maintenance:  
Some Treatment Programs Are Not Effective; Greater Federal Oversight Needed**

GAO/HRD-90-104, Mar. 22.

GAO found continued heroin use by many patients in the 24 methadone programs it reviewed; the heroin use by patients in treatment for more than six months ranged from two percent at one program to 47 percent at another. This suggests that some programs are not effectively treating heroin addiction. Policies, goals, and practices varied greatly among the 24 programs. There are no federal standards for effectiveness in treatment programs, and none of the programs evaluated the effectiveness of their treatment. While federal regulations have established administrative requirements for the programs, federal oversight of methadone treatment programs has been very limited since 1982. Recent federally sponsored research found that interim maintenance would not significantly reduce intravenous drug use and the corresponding risk of AIDS. GAO did not find clear evidence of a serious shortage of methadone treatment slots that would justify interim maintenance. GAO summarized this report in testimony before Congress; see:

Methadone Maintenance: Some Treatment Programs Are Not Effective; Greater Federal Oversight Needed, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Select Committee on Narcotics Abuse and Control. GAO/T-HRD-90-19, Mar. 23.

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**Testimony**

Medigap Insurance: Premiums and Regulatory Changes After Repeal of the Medicare Catastrophic Coverage Act and 1988 Loss Ratio Data, 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-90-16, Mar. 13.

GAO testified on its recent survey of 29 commercial Medigap insurers about their 1990 premiums for Medigap insurance. Twenty insurers responded and said they expected to raise their 1990 premiums for Medigap insurance by an average of 19.5 percent. The companies attributed about half of this increase to higher benefits and administrative costs necessitated by repeal of the Medicare Catastrophic Coverage Act. GAO also discussed the percentage of premiums paid out as benefits (the loss ratios) in 1988 and recent changes in federal and state regulatory requirements for Medigap policies. GAO identified several options for

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**Medicare and Medicaid:  
More Information Exchange Could Improve Detection of Substandard Care**

GAO/HRD-90-29, Mar. 7.

Peer review organizations, Medicare carriers, and state Medicaid agencies do not now routinely exchange information about physicians they have identified as providing unnecessary or poor-quality care. GAO recommends that the Health Care Financing Administration require these groups to routinely exchange such information. Such an exchange, in GAO's view, would improve detection of such care in the Medicare and Medicaid programs; this, in turn, could shorten the time needed to initiate action to change the behavior of physicians responsible for these problems.

**Black Lung Program:  
Further Improvements Can Be Made in Claims Adjudication**

GAO/HRD-90-75, Mar. 21.

For this report on the Department of Labor's Black Lung Disability Benefits Program, GAO (1) determined the percentage of claims approved and denied, (2) discussed with experts the adequacy of the medical criteria DOL uses to determine black lung disease and total disability, (3) identified the average time DOL takes to adjudicate claims, (4) evaluated the procedures used to collect overpayments, and (5) obtained data on the status of the Fund. GAO found that except for a two-year period between 1978 and 1980 when DOL used more liberal eligibility criteria, only a small percentage of miners have received black lung benefits. DOL's approval rate, excluding that two-year period, including appeals, has been under 10 percent. Claimants appealing DOL's initial decisions have experienced lengthy delays pending processing of their cases. GAO recommends that DOL try to eliminate the backlog of appeals cases within a reasonable length of time.

actions the Librarian should consider taking to reduce the cost of operating the Library Police.

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## Health

### **Medicare Part A Reimbursements: Processing of Appeals Is Slow**

GAO/HRD-90-23BR, Feb. 9.

GAO reviewed the adequacy of staffing levels at the Provider Reimbursement Review Board, a five-member, quasijudicial body that was established under the hospital insurance portion (Part A) of the Medicare program. The Board conducts hearings and issues decisions on appeals by hospitals, skilled nursing facilities, and home health agencies on the amount of reimbursement Medicare allowed for beneficiaries' care. GAO found no evidence that the Health Care Financing Administration, which administers Medicare, deliberately intended to impair the Board's effectiveness by limiting staff allocations. Nevertheless, HCFA's allocation of resources did impair the Board's ability to process cases. It is difficult to determine accurately the number of staff the Board needs to process cases in a timely manner. The Board has no accurate count of the cases in inventory and may not have realistic time frames for each step in the process. If the Senate Committee on Appropriations wishes to directly monitor the level of resources requested for the Board's operations, it may want to consider directing that the Board be identified separately in the HHS appropriation request.

### **Quality Assurance: A Comprehensive National Strategy for Health Care Is Needed**

GAO/PEMD-90-14BR, Feb. 21.

How can the quality of health care be ensured under plans to expand health care coverage for the uninsured? GAO suggests that a national strategy for assessing and assuring the quality of health care is needed. GAO views the following four elements as essential to a comprehensive national strategy: (1) national practice guidelines and standards of care; (2) enhanced data to support quality assurance activities; (3) improved approaches to quality assessment and assurance at the local level; and (4) a national focus for developing, implementing, and monitoring a national system.

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Capitol Police Pay and Personnel Systems: Dual Systems Create Differences, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Legislative Branch, Senate Committee on Appropriations. GAO/T-AFMD-90-12, Mar. 23.

GAO testified on the preliminary results of its review of Capitol Police Force personnel administration. Personnel administration of the Force is divided between the House and the Senate, and GAO identified differences in the way the House and the Senate treat Capitol Police in the following four areas—retirement benefits and policies, leave policies, the hiring of civilians, and grievance procedures. GAO believes these differences have affected police operations and are impediments to the unification of the Force.

The Decennial Census: Potential Risks to Data Quality Resulting From Budget Reductions and Cost Increases, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-90-30, Mar. 27.

In this testimony on decennial census budget issues, GAO discusses the Bureau's efforts to accommodate the \$57.6 million reduction in its fiscal year 1990 decennial census budget request and the effect of these actions on the quality of census data. GAO also discusses other adjustments the Bureau has made to planned operations to accommodate unanticipated increases, the 1990 budget sequestration, and new program priorities. In addition, GAO focuses on areas where the Bureau is particularly vulnerable to additional cost increases as the full-scale census begins. These include difficulties in recruiting temporary workers and a lower-than-expected mail response rate.

Issues to Consider in Consolidating the Library Police Force With the Capitol Police Force, by Brian P. Crowley, Director of Planning and Reporting, before the Subcommittee on Legislative Branch, Senate Committee on Appropriations. GAO/T-AFMD-90-13, Mar. 30.

GAO testified on the preliminary results of its review of the possible consolidation of the Library Police Force with the Capitol Police Force. Issues under consideration include the Librarian's authority for security, union representation, compensation and benefits, and training. GAO notes that there are significant differences in the way the two forces are administered and believes it would be prudent to resolve these differences before consolidation takes place. GAO also identifies a number of

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Water Resources, Transportation, and Infrastructure, Senate Committee on Environment and Public Works. GAO/T-GGD-90-24, Mar. 20.

For a variety of reasons, the federal government has, for nearly two decades, neglected its public buildings. Needed repair, construction, and modernization projects have all been deferred. The resulting lack of modern, quality working space has begun to harm the ability of federal agencies to carry out their missions. Another consequence is an increasing reliance on costly leased office space. Annual lease costs have reached \$1.2 billion today and are projected to rise to \$2 billion in the mid-1990s. GAO believes that ideally, Congress should eliminate the current bias against federal ownership of office space by restructuring the current federal budget to include a capital component. In this testimony, GAO identifies the main obstacles to increased capital investment in public buildings. GAO also makes several recommendations for a more long-term, cost-effective approach to meeting federal space needs.

Federal White-Collar Employee Salary Reform, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-90-22, Mar. 14; and

Federal White-Collar Employee Salary Reform, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Senate Committee on Governmental Affairs. GAO/T-GGD-90-27, Mar. 21.

GAO strongly endorses efforts to reform federal white-collar employee pay-setting principles and processes. Noncompetitive salaries are the major cause for federal recruitment and retention problems, especially in high-cost, high-paying localities. GAO believes federal salaries must be restored to competitive levels in a fiscally responsible way. S.2274—the Federal Pay Comparability Reform Act of 1990—seeks to accomplish this objective by adjusting basic pay rates in areas where nonfederal pay rates exceed the national average. However, GAO suggests that it would be more appropriate to directly compare federal and nonfederal salaries and that cost-of-living levels should also be considered in determining locality adjustments. Private sector companies often increase employee salaries on the basis of job performance. GAO suggests that requiring greater accountability from federal workers in return for higher salary levels is an issue that needs serious consideration.

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Commission has resolved problems with professional staff licensing, the Saint Elizabeths firemen, and the transfer of supplies to other District agencies, the Commission still faces problems in funding both capital projects and the clinical training program and in resolving staff shortages. GAO believes that proposed legislation would help by giving the Commission more flexibility, funds, and time to establish a community-based system. GAO summarized this report in testimony before Congress; see:

The District's Implementation of Public Law 98-621, the Saint Elizabeths Hospital and District of Columbia Mental Health Services Act, by J. William Gadsby, Director of Federal Management Issues, before the Subcommittee on Fiscal Affairs, House Committee on the District of Columbia. GAO/T-GGD-90-28, Mar. 27.

**ADP Bid Protests:  
Better Disclosure and Accountability of Settlements Needed**

GAO/GGD-90-13, Mar. 30.

Believing it could not afford the time required to resolve a bid protest, the Census Bureau paid three bidders \$1.1 million to settle a protest on an \$80 million computer procurement. News media accounts of this story suggested that the government's ADP bid protest process had gone awry. GAO reviewed all ADP protests filed during the last half of fiscal year 1988 and found that computer companies were not flooding the government with bid protests and that no company routinely lodged protests. Agencies sometimes settled protests rather than contest them, but agency payments to protesters were infrequent. With the exception of the Census Bureau case, none of the payments GAO reviewed was higher than \$150,000. However, the terms of settlements reached before a final decision is rendered are not required to be disclosed. GAO concludes that to help reduce the possibility of inappropriate settlements and to ensure full accountability and visibility in the procurement process, the terms of all protest settlements should be disclosed in the motion to dismiss filed at the GSA Contract Board of Appeals or in the notice of withdrawal filed with GAO. GAO also recommends that agencies bear the cost of bid protest payments authorized by the Board or by GAO.

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**Testimony**

The Disinvestment in Federal Office Space, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on

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**Federal-State-Local Relations:  
Trends of the Past Decade and Emerging Issues**

GAO/HRD-90-34, Mar. 22.

Over the past decade, changing federalism policies and federal budgetary retrenchment have increased the state role in federal-state-local relations. Subsidies to local governments have been cut and state authority over some kinds of federal aid has grown. The more prominent role of states is not without adverse effects, however. The first emerging issue GAO identified is that the fiscal gap between wealthier and poorer communities widened over this period. In contrast, trends in federal regulation lessened state discretion but not state responsibility. Despite efforts by the Reagan Administration to minimize it, federal regulation of state and localities expanded over the last 10 years. This trend is linked to another emerging issue GAO identified: federal reliance on the goodwill and cooperation of state and local governments to implement federal regulatory programs. Yet tensions between the federal and state and local governments are mounting. The third emerging issue GAO identified is that the combination of federal budgetary retrenchment and expanding regulation could place too much fiscal pressure and program responsibility on states, especially during periods when national or regional economies are weak. This, in turn, could slow—or even reverse—the trend in state prominence.

**D.C. Government:  
Status of Transferring Saint Elizabeths Hospital to the District of  
Columbia**

GAO/GGD-90-74BR, Mar. 26.

Public Law 98-621 transferred ownership of and operating responsibility for Saint Elizabeths from the federal government to the District of Columbia. As a result, the Commission on Mental Health Services, part of the District's Department of Human Services, was created to provide mental health services for District residents who were at Saint Elizabeths when the District took control of the hospital. GAO found that implementation of the Act is at least a year behind schedule in providing a comprehensive community-based mental health system by October 1, 1991. The head of the Commission attributed the delay to problems in switching from federal to District control, unexpected increases in the Saint Elizabeths population, and both underfunding and inadequate flexibility to allocate and reallocate funds among programs. While the

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**Personnel Practices:  
The Department of Energy's Use of Schedule C Appointment  
Authority**

GAO/GGD-90-61, Mar. 8.

Schedule C positions are excepted from the competitive service because they are either policy determining or involve a close and confidential working relationship with a key official. As of February 1, 1990, the Department of Energy had eight Schedule C positions in its Office of Public Affairs and 11 in its Office of Congressional and Intergovernmental Affairs. DOE complied with OPM regulations and guidelines in establishing these 19 positions. However, DOE, even though it was required to do so, had not reported to OPM changes made during 1989 to Schedule C positions in these two offices. After GAO brought the matter to their attention, DOE officials said they would notify OPM of these changes. DOE also used Schedule C appointment authority to hire three permanent employees and detail them directly to the White House. GAO believes such action was inappropriate since DOE had certified that the positions and the appointees would be located within DOE. GAO recommends that OPM (1) require agencies to certify that Schedule C positions are not being established solely or primarily for details, (2) disapprove applications that do not contain this certification, and (3) periodically monitor agencies' use of Schedule C employees for compliance with its regulations and guidelines.

**Postal Service:  
Cost of Meetings and Conferences**

GAO/GGD-90-66FS, Mar. 9.

GAO examined the scheduling of five meetings for Postal Service traffic managers during fiscal year 1989. These meetings were held in Naples, Florida; Denver, Colorado; Wilea, Island of Maui, Hawaii; Scottsdale, Arizona; and Marina Del Rey, California. This fact sheet discusses total expenses involved, including travel, lodging, and food and alcoholic/non-alcoholic beverage costs.

cost effective relative to commercial alternatives. Cost analyses to justify the need for in-house aircraft operations were never done. Valid flight-by-flight comparisons to justify the use of aircraft for administrative travel were also never done. GAO attributes this noncompliance with OMB aircraft management policies to (1) inadequate guidance and oversight by the Bureau and by the Department of the Interior and (2) inadequate and incomplete aircraft cost data. GAO found no compelling reason why the Bureau should own and operate aircraft independently of the Department of the Interior's Office of Aircraft Services, which now owns and manages most of the agency's aircraft. GAO believes that making Bureau aircraft part of the Office of Aircraft Services fleet would better ensure that aircraft operations are cost effective and that the Bureau has complete and accurate cost data in complying with OMB's aircraft management policies.

**Status of Open Recommendations:  
Improving Operations of Federal Departments and Agencies**

GAO/OP-90-1, Feb. 26.

This annual report summarizes the findings and open recommendations resulting from GAO audits and other review work in federal departments and agencies for which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive action on its recommendations, GAO systematically follows up on them. This report contains information on 1,595 GAO recommendations that were open as of November 30, 1985.

**Puerto Rico:  
Information for Status Deliberations**

GAO/HRD-90-70BR, Mar. 7.

This briefing report provides background information on Puerto Rico's history and culture; its relationship with the federal government; and its governmental structure, economy and socioeconomic conditions. The report also summarizes several key transition issues facing Congress as it defines the three options to be voted on by the people of Puerto Rico—statehood, independence, and enhanced commonwealth.

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**Financial Audit:  
House Stationery Revolving Fund Statements—June 30, 1989 and  
1988**

GAO/AFMD-90-54, Mar. 29.

GAO audited the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1989 and 1988, and the related statements of operations and cash flows for the years then ended. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 1989 and 1988 and results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

**User Fees:  
Limited Survey of User Fees at the Departments of Commerce and  
the Interior**

GAO/AFMD-90-53FS, Mar. 23.

Officials at the Departments of Commerce and the Interior said they do not have a central office or official to monitor user fee information. As a result, GAO was unable to prepare a comprehensive compendium of user fees for the two departments. GAO was also unable to determine whether the departments are periodically adjusting their fees to compensate for inflation. From the limited information provided, GAO did find indications that some fees have been reviewed and revised recently while others have not. There were, however, legitimate reasons for not revising some types of fees, such as those established by statute, through competitive bidding, or in contract negotiations. This fact sheet also discusses the extent to which OMB and six executive branch departments have implemented the recommendations contained in the recent report on user fees by the President's Council on Integrity and Efficiency.

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**Government  
Operations**

**Department of the Interior:  
Bureau of Reclamation Aircraft Should Be Centrally Managed Like  
Other Interior Aircraft**

GAO/GGD-90-20, Jan. 18.

GAO examined the Bureau of Reclamation's use of government planes and found that the Bureau does not know if its aircraft operations are

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## Financial Management

### **Inspectors General: Information on Vacancies and Previous Experience**

GAO/AFMD-90-64FS, Mar. 7.

GAO gathered information on vacancies in statutory inspector general positions. Specifically, GAO looked at which inspector general positions are now vacant and how long they have been vacant. GAO also identified the immediate previous positions held by current inspectors general.

### **Financial Audit: EPA's Financial Statements for Fiscal Years 1988 and 1987**

GAO/AFMD-90-20, Mar. 16.

This report presents GAO's opinion on the consolidated financial statements of the Environmental Protection Agency for the fiscal years ended September 30, 1988 and 1987. It also contains GAO's reports on EPA's internal accounting controls and compliance with laws and regulations. After reviewing the financial condition of EPA's Superfund program, GAO concludes that the cost to pay for and oversee the cleanup of the nation's most hazardous waste sites will far exceed EPA's current \$30 billion estimate and will overwhelm the remaining \$7.1 billion Superfund authorization. GAO's opinion is qualified because of (1) the way in which EPA accounted for and supported its property accounts and (2) weaknesses in the internal control system it used to control and safeguard property assets totaling over \$320 million. While EPA has improved its internal accounting controls, material weaknesses in its accounting for and controlling property assets continue. This report also cites financial management and control problems uncovered in GAO's first financial audit in 1987 that have been resolved. In 1989, while GAO was finishing its fiscal year 1988 audit, EPA converted to a new integrated financial management system and, in the process, experienced problems. These problems have not yet been resolved and will require the full attention of EPA financial management personnel.

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**Bank Powers:  
Activities of Securities Subsidiaries of Bank Holding Companies**

GAO/GGD-90-48, Mar. 14.

Securities subsidiaries of bank holding companies—commonly called Section 20 subsidiaries—can function as investment banks by underwriting (publicly distributing new issues of securities) and as broker-dealers by buying and selling securities for their own accounts or for others. GAO found that in the third quarter of 1989, the 13 Section 20 firms in operation underwrote about \$69 billion in bank-ineligible securities; commercial paper represented about 98 percent of that amount. The firms accounted for about two percent or less of the total market for underwriting municipal revenue bonds, mortgage-backed securities, and asset-backed securities. When bank-eligible activities are also considered, Section 2 companies accounted for about seven percent of all revenue realized by SEC-registered securities firms in the second quarter of 1989. While Section 20 firms have the potential to significantly affect the structure of the securities industry, GAO believes it is too early to draw conclusions about the market impact, profitability, and riskiness of Section 20 firms or about the adequacy of the regulatory system within which they operate. Six of the 13 Section 20 subsidiaries have been doing bank-ineligible activities for less than one year. In general, bank holding company officials GAO spoke with said the revenue limitation on the activities of Section 20 subsidiaries, as well as many of the firewall provisions, are costly and unnecessarily constrain their competitiveness. Securities industry officials, on the other hand, thought that the firewalls are needed to ensure fair competition and to prevent Section 20 firms from benefiting from federally insured deposits maintained by their affiliated banks. GAO believes further changes may be needed in the arrangements for Section 20 securities. This report presents seven areas that banking and securities regulators and Congress should concentrate on. GAO summarized this report in testimony before Congress; see:

Activities of Securities Subsidiaries of Bank Holding Companies, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight and Investigations, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-90-21, Mar. 19.

into account, funding for most programs is being increased marginally or is being cut. Furthermore, the proposal does not acknowledge the problems that state and local governments are experiencing in coming up with their share of the required resources, which in the aggregate may run into billions of dollars. In its March 7 and 8 testimonies, GAO concludes that EPA's proposed 1991 budget does not appear to match up well against the total costs required to address the nation's environmental problems and EPA's expanding legislative responsibilities. Because of this apparent mismatch, GAO believes it is more important than ever that EPA manage its programs, apply its resources, and coordinate with states and localities as effectively and efficiently as possible.

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## Financial Institutions

### **Securities Trading: SEC Action Needed to Address National Market System Issues**

GAO/GGD-90-52, Mar. 12.

The October 1987 stock market crash raised critical questions about the efficiency, competitiveness, and fairness of U.S. securities markets. Renewed volatility in the markets has again created doubts about the structure of the marketplace and its ability to both withstand periods of high stress and operate efficiently in ordinary times. GAO believes the Securities and Exchange Commission needs to reevaluate the securities market structure to ensure that the markets continually meet the goals of a national market system. Without such SEC action, GAO is concerned that trading system innovation may be hampered, marketmaking capital may be insufficient, investors may pay higher transaction costs, and some trading volume may be lost to overseas markets. GAO recommends that SEC reopen the issue of exchange-imposed trading restrictions—like New York Stock Exchange Rule 390—to see if they need to be modified, removed, or reaffirmed. SEC should also do a comprehensive evaluation of the Intermarket Trading System to determine the system's operational efficiency, effect on intermarket competition, and capability to handle future market crises. Finally, GAO recommends that SEC closely monitor the exchanges' progress in developing a market linkage system for options trading. If SEC concludes that not enough progress is being made, GAO recommends that SEC direct construction of a linkage system.

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**Hazardous Waste:  
EPA's Generation and Management Data Need Further Improvement**

GAO/PEMD-90-3, Feb. 9.

The Environmental Protection Agency and state environmental agencies share responsibility for hazardous waste management nationally. To do their job, these state agencies need information about the production of hazardous waste, including minimization efforts, and about available ways to safely treat, store, recycle, and dispose of the material. GAO evaluated EPA's efforts to acquire information about hazardous waste and to develop better information. GAO found the following: important information gaps remain, problematic measurement and data collection procedures will limit the quality of some of the information that is produced, and the internal process for developing information systems does not fully ensure complete and integrated data collection. These problems will significantly impair the state capacity assurances required by the 1986 Superfund amendments. GAO believes that, in addition to improvements EPA can make, legislation may also be needed to improve the quality of EPA's information. By separating the law's recordkeeping and reporting provisions and by making EPA solely responsible for collecting information required for developing and implementing the federal program, uniform national data would be ensured. At the same time, states would retain authority to add data elements and to use supplemental data collection mechanisms to support their needs.

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**Testimony**

Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1991, by Richard L. Hembra, Director of Environmental Protection Issues, before the Senate Committee on Environment and Public Works. GAO/T-RCED-90-46, Mar. 7.; and

Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1991, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations. GAO/T-RCED-90-39, Mar. 8.

In response to heightened expectations for strong environmental action, EPA's fiscal year 1991 budget request of \$5.6 billion represents a 12 percent increase in its operating budget. While this is cited as one of the largest increases for any federal agency, GAO believes this figure needs to be put in perspective. A number of EPA programs are receiving more funding. However, when inflation and federal pay increases are taken

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Lawn Care Pesticide Risks Remain Uncertain While Prohibited Safety Claims Continue, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Toxic Substances, Environmental Oversight, Research and Development, Senate Committee on Environment and Public Works. GAO/T-RCED-90-53, Mar. 28.

**Air Pollution:  
Protecting Parks and Wilderness Areas From Nearby Pollution Sources**

GAO/RCED-90-10, Feb. 7.

GAO looked at federal and state efforts to maintain clean air in national parks and wilderness areas. Stationary air pollution sources that are regulated comprise a very small portion—about 1 percent—of the sources of air pollution near the five parks and wilderness areas GAO examined. The remaining 99 percent are exempt either because they were grandfathered or were considered minor sources under the Clean Air Act Amendments of 1977. GAO also found that the review process for permit applications has not been well implemented. These construction permits are given to individuals who have shown that their proposed facilities will meet required emission standards and will employ the best available control technology. Lastly, although additional park and wilderness areas have been recommended for special protection from new air pollution sources, states have not designated any additional areas. GAO recommends that EPA, in cooperation with the National Park Service, the Fish and Wildlife Service, and the Forest Service, examine a broader group of national parks and wilderness areas in order to verify the number of pollution sources that are covered under the Prevention of Significant Deterioration program. Such a survey would also establish the extent to which air quality in these areas is affected by nearby emission sources. The Fish and Wildlife Service needs to develop a long-range plan for gathering the information necessary to support reviews of permit applications. GAO summarized this report in testimony before Congress; see:

Protecting Parks and Wilderness From Nearby Air Pollution Sources, by Richard L. Hembra, Director of Environmental Protection Issues, before the Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations. GAO/T-RCED-90-43, Mar. 9.

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Economic Stabilization, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-90-56, Mar. 28.

Emerging clean coal technologies could help significantly reduce emissions from coal-fired power plants. However, it is uncertain whether this technology will be commercially available and widely deployed in time to meet the requirements of proposed acid rain legislation. Although utilities said they would give much greater consideration to these technologies once legislation is enacted, they indicated that their investment decisions would also depend on factors like technical feasibility, cost effectiveness, and emission control capability. Because of anticipated time frames needed for demonstration and deployment, GAO concludes that emerging clean coal technologies may play only a limited role in reducing acid rain during the next 15 years.

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## Environmental Protection

### **Lawn Care Pesticides: Risks Remain Uncertain While Prohibited Safety Claims Remain**

GAO/RCED-90-134, Mar. 23.

In their quest for beautiful lawns, homeowners made the professional lawn care business a billion dollar industry during the 1980s. Yet how safe are the pesticides that have been applied to create weed-free lawns? GAO found that the lawn pesticide industry continues to make false and misleading claims that its products are safe and nontoxic. At the same time, EPA lacks an effective program to determine the appropriateness of safety claims made by manufacturers. In addition, EPA now has no authority over safety claims made by professional applicators. While the Federal Trade Commission can act against false and misleading pesticide safety advertising by manufacturers and distributors, it has taken no enforcement action since 1986. During the same period, EPA acted only once against the safety claims of pesticide manufacturers. Within nine years, EPA is required to bring about 24,000 registered pesticides into compliance with current data requirements and scientific standards. However, EPA's reregistration program is still at a preliminary stage in reassessing the risks of lawn care pesticides. Of the 34 leading lawn care pesticides, 32 are older products and are subject to reregistration. None, however, has been completely reassessed. GAO recommends that EPA (1) seek legislative authority over safety claims by professional pesticide manufacturers and (2) more effectively monitor pesticide safety claims by the lawn care industry. GAO summarized this report in testimony before Congress; see:

many DOE sites and the full extent of the environmental problems remains unknown. GAO estimates it could cost up to \$155 billion to address these problems.

DOE's Efforts to Correct Environmental Problems of the Nuclear Weapons Complex, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-90-47, Mar. 15.

GAO's testimony focuses on four main issues: (1) the environmental problems at DOE's nuclear weapons complex, (2) recent changes in DOE's organizational structure, (3) DOE's 1991 budget request, and (4) the need for effective management systems. GAO concludes that the environmental problems are enormous and will take decades to resolve. Widespread contamination can be found at many DOE sites, and the full extent of the environmental problems is unknown. DOE has taken several steps during the past year to better deal with these problems, including making organizational improvements and requesting additional funds for environmental restoration and waste management activities. However, GAO believes that further improvements are needed to ensure that the most serious environmental problems are identified and funded and that DOE effectively manages and spends funds allocated to correcting environmental problems. GAO also believes that continued oversight is needed to ensure that DOE maintains its commitment to acceptable environmental practices.

DOE's Management and Oversight of the Nuclear Weapons Complex, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-90-52, Mar. 22.

DOE's nuclear weapons complex is virtually shut-down today due to a multitude of serious environmental, safety, and operational problems. These include deteriorated facilities, contaminated soil and groundwater, and disposal of radioactive waste that has been in temporary storage for decades. GAO discussed these ongoing problems, as well as (1) longstanding management problems, (2) recent DOE management and oversight initiatives, and (3) GAO's views on DOE's efforts and implications for the future management of the complex.

Utilities' Potential Use of Clean Coal Technologies, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on

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**Fossil Fuels:  
Pace and Focus of the Clean Coal Technology Program Need to Be Assessed**

GAO/RCED-90-67, Mar. 19.

Coal, one of America's most abundant energy sources, is also a major cause of air pollution and acid rain. Since 1984 DOE's Clean Coal Technology program has sought to financially assist private industry in demonstrating the commercial application of emerging clean coal technologies. So far Congress has appropriated \$2.75 billion for the program. DOE has requested project proposals from industry through three separate solicitations (or rounds) and has chosen 39 projects. GAO found that DOE's elaborate process for evaluating, ranking, and selecting round-two project proposals provides reasonable assurance that proposals were consistently and thoroughly evaluated and that projects were chosen using the applicable criteria. However, of the 16 projects DOE selected in round two, 12 were rated weak in meeting certain of the evaluation criteria. GAO also noted that half of the 48 proposals that were evaluated in round-two fared poorly against three or more of the evaluation criteria. This suggests that DOE may have problems in identifying and funding additional promising clean coal technology projects in future rounds. As of December 31, 1989, only three projects were in the demonstration or operation phase and none had been fully demonstrated. Rather than move into round four and five of the program, GAO believes it may be beneficial to wait until DOE has more information on actual project results.

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**Testimony**

GAO's Views on DOE's 1991 Budget for Addressing Problems at the Nuclear Weapons Complex, by Keith O. Fultz, Director of Planning and Reporting, before the House Committee on Budget. GAO/T-RCED-90-33, Mar. 2.

This statement for the record discusses DOE's 1991 budget request as it relates to cleaning up and modernizing the nuclear weapons complex. GAO's testimony focuses on (1) the continuing problems of the complex, (2) DOE's progress in addressing these problems, and (3) important budget issues. In 1989 GAO testified on serious problems at the complex and the staggering cost to address them. GAO believes the situation is not any better in 1990. The nation's ability to produce weapons grade nuclear material is virtually nonexistent because a number of key facilities are shut down. Widespread environmental contamination exists at

**Nuclear Science:  
DOE's Acceptance of Academy of Sciences' 1986 Inertial Fusion  
Technical Priorities**

GAO/RCED-90-115FS, Mar. 15.

DOE's Inertial Confinement program uses lasers or particle beam accelerators to bombard tiny fusion fuel capsules to cause a momentary fusion reaction. Six participants are involved in the program: the Lawrence Livermore, Los Alamos, and Sandia National Laboratories; the Naval Research Laboratory; the University of Rochester; and KMS Fusion, Inc. The National Academy of Sciences reviewed the program in 1986 and has another review underway. This fact sheet addresses the following questions: What program priorities did the Academy's 1986 review panel recommend for the program? Which program priorities recommended by the Academy in its 1986 review were accepted by DOE? Which tasks in DOE's contract with KMS were designed by DOE to satisfy the program priorities recommended by the Academy and accepted by DOE?

**Nuclear Science:  
Performance of Participants in DOE's Inertial Confinement Fusion  
Program**

GAO/RCED-90-113BR, Mar. 15.

GAO examined the performance of the six participants in DOE's Inertial Confinement Fusion Program. GAO specifically looked into DOE's allegation that the performance of one of the six participants—KMS Fusion, Inc.—did not meet program expectations. KMS, a private contractor, supports the inertial fusion research experiments of the other participants, mainly by providing fusion target components. Other program participants include DOE's Lawrence Livermore, Los Alamos, and Sandia National Laboratories; the Naval Research Laboratory; and the University of Rochester. GAO found that KMS' performance was mixed. In addition, most of the six participants did not accomplish all of their planned objectives or assigned tasks for various reasons. However, GAO believes that comparisons of performance among the six would not be valid because of the different functional role each performs in the program, different degree of difficulty of objectives, and different stages of development of participant programs.

**Nuclear Waste:  
Transuranic Waste Storage Limitations at Rocky Flats Plant**

GAO/RCED-90-109, Feb. 28.

The current shutdown of Rocky Flats' weapons component production facilities and the uncertain duration of the shutdown prevents GAO from predicting when the plant's 1,601-cubic-yard-limit on transuranic waste storage is likely to be reached. Once restarted, however, production could continue for as long as six to eight months, depending on how successful Rocky Flats is in identifying and removing some nonregulated wastes from the current inventory. Production beyond this point is questionable until Rocky Flats installs a supercompactor to reduce the volume of waste stored on-site or arrangements are made to store the transuranic waste off-site.

**Nuclear Waste:  
Quarterly Report as of September 30, 1989**

GAO/RCED-90-103, Mar. 2.

At the end of the July-September 1989 quarter, GAO found that DOE was not ready to begin site characterization, including construction of the exploratory shaft facility, at Yucca Mountain, Nevada. This was due to (1) continuing delays in developing quality assurance programs, (2) unresolved criticisms of the design of the exploratory shaft facility and DOE's proposed methods for constructing it, and (3) a decision by the state of Nevada not to issue necessary environmental permits. In addition, the Nuclear Regulatory Commission and a group representing utilities had raised many significant concerns about DOE's approach to characterizing the site. In November 1989, DOE extended the repository's projected operating date by seven years, from 2003 to 2010. In doing so, it delayed by three years beginning construction of and testing in the exploratory shaft facility until November 1992 and September 1995, respectively. DOE said these delays will allow it to overcome current program obstacles. DOE also intends to evaluate early the suitability of the site by conducting tests from the site's surface beginning in January 1991. DOE's new site characterization and approach are intended to result in a technically sound and cost-effective program.

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**Federal Electric Power:  
Bonneville's Residential Exchange Program**

GAO/RCED-90-34, Feb. 6.

The disparity in electric power rates paid by residential and small farm customers in the Northwest has decreased over the past decade. The \$1.37 billion in exchange program benefits that Bonneville provided to Northwest utilities through fiscal year 1988 has contributed to this decrease. However, a more significant factor in reducing the rate disparity was the fact that Bonneville's costs—and, consequently, its power rates—increased significantly more than did those of the regional utilities. Bonneville has not been conducting the reviews needed to ensure that utilities are passing program benefits through to their residential and small farm customers, although the Northwest Power Act specifically directs Bonneville to do so. Given the dollar value of the benefits that have been provided to regional utilities, GAO believes Bonneville should do such reviews.

**Federal Electric Power:  
Views on the Sale of Alaska Power Administration Hydropower Assets**

GAO/RCED-90-93, Feb. 22.

In a March 1987 letter to the Secretary of Energy, GAO expressed concern about the federal government's efforts to sell the assets of the Alaska Power Administration (APA). GAO's main concern was that APA's planned divestiture approach would likely lead to a proposed sale at a price that would not (1) provide for full cost recovery for the government or (2) reflect the full potential value of the assets to a purchaser. Sales agreements have been reached between APA and potential purchasers of APA's assets—the Eklutna and Snettisham hydroelectric power projects. However, GAO found that APA's current sale proposal does not address GAO's earlier concern about benefitting APA ratepayers at the expense of taxpayers. Congress may wish to consider rejecting the administration's proposal and directing DOE to identify sales proposals that better balance the interests of ratepayers and taxpayers.

facilities' shortcomings, such as inadequate space and leaky roofs, that were identified by its accrediting organization.

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## Employment

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### Testimony

**Child Labor Violations and Sweatshops in the U.S.**, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-90-18, Mar. 16.

To protect children from oppressive working conditions, the Fair Standards Act of 1938—the primary federal law regulating the wages and working conditions of American workers—limits the number of hours that children under age 16 can work, sets minimum age standards for work in specified occupations, and restricts employment in certain hazardous occupations for youths under age 18. GAO testified that since the mid-1980s, violations of these child labor standards have increased. GAO found that most violations are in retail trade, especially restaurants. In addition, “sweatshops”—workplaces that regularly violate both wage or child labor laws and workplace safety or health standards—seem to have proliferated throughout the nation, particularly in the restaurant, apparel, and meat processing industries. GAO reported that a significant number of children are being injured, sometimes fatally, at work.

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## Energy

### **Environment, Safety, and Health: Status of DOE's Reorganization of Its Safety Oversight Function**

GAO/RCED-90-82BR, Jan. 30.

In May 1989, the Secretary of Energy announced an organizational and management restructuring plan. Concerns arose that this plan would diminish the independent safety oversight role of DOE's Office of Environment, Safety, and Health by replacing it with internal oversight by line managers and with external review by safety boards. This briefing report provides (1) information on the major events that led to the proposed restructuring and (2) a brief description of the proposed restructuring plan, including its status as of November 30, 1989. GAO also provides general observations on the plan.

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## Education

### **Special Education: Estimates of Handicapped Indian Preschoolers and Sufficiency of Services**

GAO/HRD-90-61BR, Mar. 5.

GAO is required to review the Bureau of Indian Affairs' program for educating handicapped Indian preschoolers. This report discusses GAO's estimates of (1) the number of handicapped Indian preschoolers on the 63 reservations with schools administered by BIA and (2) the sufficiency of services they receive. GAO estimates that while nearly 3,000 handicapped Indian preschoolers aged 3 and 4 live on the 63 reservations with BIA schools, only 838 of these children were receiving special education services in school year 1988-89. At least 24 percent of 791 handicapped children with Individual Education Programs were receiving fewer services than their Program prescribed. BIA officials attributed the insufficient services to a shortage of qualified personnel and to inadequate funding. GAO recommends that each BIA field office annually identify and locate every preschooler thought to be handicapped and in need of special education services.

### **DOD Overseas Schools: Additional Assurances of Educational Quality Needed**

GAO/HRD-90-13, Mar. 15.

The Department of Defense spent about \$755 million in 1988 to run 271 overseas schools attended by over 150,00 students who are dependents of military and DOD civilian personnel stationed abroad. GAO found that while DOD schools are accredited and their students tend to score well on standardized tests, DOD school management and parents should have additional assurances that the schools are providing students with a high-quality education. Scores provide but one measure of education quality and should be supplemented with other indicators—like promotion rates and measures of the variety of course offerings. DOD also needs better procedures for documenting that the schools have quality teachers and that students meet graduation standards. School advisory committees have been established to give parents and teachers a forum for expressing their views on school operations; however, these committees seldom exercise their specific authority to advise school principals on budgets and course curricula. DOD has implemented widely used drug and alcohol abuse programs in its schools and has generally corrected

the deficit, and interest on the debt; and (5) compares Office of Management and Budget and Congressional Budget Office estimates for debt and borrowing to the actual results.

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## Business, Industry, and Consumers

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### Testimony

Comprehensive Quality Management, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on Science, Research, and Technology, House Committee on Science, Space, and Technology. GAO/T-NSIAD-90-22, Mar. 20.

GAO testified on its ongoing study of the impact of comprehensive quality management systems on the profitability and productivity of American companies. This study has important implications for the international competitiveness of U.S. industry. GAO's initial work has shown that public and private interest in and concern about the quality of U.S. products and services is growing. Also, some companies are obtaining dramatic results by embracing comprehensive quality management systems. While GAO's work is still in its initial phase, it has become clear that the adoption of comprehensive management systems by American companies is one of the most promising ways to strengthen American competitiveness in world markets.

Underground Petroleum Tank Owners' Ability to Comply With Federal Financial Responsibility Requirements, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Senate Committee on Small Business. GAO/T-RCED-90-48, Mar. 21.

In a January 1988 report, GAO found that insurance for underground petroleum tanks was generally unavailable and that the alternatives to insurance permitted by law, such as self-insurance, were impractical or unavailable for small businesses. Such insurance is intended to ensure that tank owners have the money to clean up any tank leaks and compensate anyone harmed by the leaks. In this testimony, GAO concludes that too much uncertainty exists about the insurance market for smaller firms with underground storage tanks and too few states have approved trust funds to reasonably ensure that these smaller firms can generally comply with the financial responsibility requirements at this time.

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## Budget and Spending

### **Impoundments: Proposed Deferrals of Defense Budget Authority Are Inadequately Justified**

GAO/OGC-90-4, Mar. 6.

On February 6, 1990, the President submitted to Congress his third special impoundment message for fiscal year 1990. This message covers 19 deferrals of budget authority. In a February 10, 1990, letter to Senators Byrd and Hatfield, GAO concluded that 14 of these deferrals and a portion of a fifteenth deferral are not authorized under the Impoundment Control Act of 1974. This report concludes that the remainder of the fifteenth deferral and two other deferrals are also unauthorized. One deferral is authorized and GAO is in the process of ascertaining the justifications for another concerning a classified project.

### **Impoundments: GAO Comments on Deferrals of International Security, Agriculture, State, and Transportation Funds**

GAO/OGC-90-3, Mar. 16.

On January 29, 1990, the President submitted to Congress his second special impoundment message for fiscal year 1990. This message reports two new deferrals and revises the amounts of four deferrals previously reported. GAO reviewed these deferrals and found them to be in accordance with the Impoundment Control Act.

### **Budget Issues: Special Analysis for Bill S. 101**

GAO/AFMD-90-61FS, Mar. 19.

This fact sheet provides current budget numbers to illustrate S. 101, The Balanced Budget and Debt Reduction Act of 1989. This legislation would require the budget of the United States government to be a unified one composed of a Retirement Funds Budget, an Operating Budget, and a Debt and Interest Budget. GAO (1) discusses actual fiscal year 1988 and 1989 and projected 1990 and 1991 budget numbers for the budgets proposed in S. 101; (2) compares fiscal years 1988 and 1989 to show the increase or decrease in amounts reported in the three budgets; (3) provides a treatment of the budgetary impact of the Social Security and Medicare Trust Fund surpluses; (4) analyzes changes in debt, borrowing,

USDA provides farmers with disaster assistance through direct cash payments, subsidized emergency loans, and a crop insurance program. Between fiscal years 1980 and 1988, the federal government incurred costs of approximately \$17.6 billion in support of these programs: \$6.9 billion for direct cash payments, \$6.4 billion for disaster assistance emergency loans, and \$4.3 billion for crop insurance. Applying the basic principles of equity and efficiency, GAO concludes that crop insurance appears to be a better way of providing disaster assistance than either the direct payment or emergency loan programs. However, the real effectiveness of the program cannot be fully determined as long as it has the disadvantage of competing with the other disaster assistance programs. Consequently, if Congress chooses to rely on crop insurance as the primary method of providing disaster assistance, it should prevent other disaster assistance programs from competing with it.

General Accounting Office's View on the Conservation Provisions of the 1990 Farm Bill, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-RCED-90-49, Mar. 15.

The Food Security Act of 1985, which contained new conservation measures like the conservation reserve program, prevented the conversion of fragile lands to cropland. In addition, USDA began an initiative in 1990 to protect water resources from the harmful effects of agricultural chemicals and fertilizers. USDA also has an on-going effort on low-input, sustainable agriculture methods that use fewer chemicals and fertilizers. Over the past several years, GAO has undertaken work in each of these areas. GAO believes the new farm bill presents an opportunity to achieve even greater benefits in the future by expanding the coverage of these programs through increased integration and coordination of the programs. In this testimony, GAO presents its views on soil and water programs related to the Act and on potential changes Congress may wish to consider for the 1990 farm bill.

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not necessarily be health-related. This report discusses (1) foreign government and private industry efforts to ensure that imported fresh produce meets U.S. safety and quality standards, (2) what U.S. agencies are doing to help foreign countries meet U.S. safety requirements, and (3) U.S. agencies' responsibilities for safety and quality of imported produce. GAO summarized this report in testimony before Congress; see:

Five Latin American Countries' Controls Over the Registration and Use of Pesticides, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-90-57, Mar. 28.

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## Testimony

Farmers Home Administration's Implementation of the Agricultural Credit Act of 1987 and Sales of Farm Inventory Property, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture. GAO/T-RCED-90-38, Mar. 5.

GAO's preliminary work on FmHA's implementation of the debt servicing provisions of the Agricultural Credit Act at 10 county offices showed that while many delinquent borrowers have been offered restructuring or net recovery value buy-out, most delinquent borrowers did not apply for servicing or did not submit complete applications. Many of the borrowers who qualified for servicing were offered restructuring, with and without debt writedown; however, most serviced borrowers were offered net recovery value buy-out. GAO's work also showed that only a small percentage of the restructured borrowers had favorable financial potential for future successful farming operations. The vast majority of restructured borrowers do not have such potential without continued FmHA financial assistance. Furthermore, bad faith borrowers have been allowed to buy out their FmHA debt at the net recovery value of their collateral, which is usually much less than their outstanding debt. Bad faith borrowers will also be eligible to reacquire their farmland, or farm homestead, if FmHA forecloses on their properties.

Roles, Cost, and Criteria for Assessing Agriculture Disaster Assistance Programs Between 1980 and 1988, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Production and Stabilization of Prices, Senate Committee on Agriculture, Nutrition and Forestry. GAO/T-RCED-90-37, Mar. 6.

make them more market-oriented, thereby reducing the federal role in the dairy industry; see:

Federal Dairy Programs: Insights Into Past Provide Perspective for the Future, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-90-28, Mar. 7, and

Federal Dairy Programs: Insights Into Past Provide Perspective for the Future, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Livestock, Dairy, and Poultry, House Committee on Agriculture. GAO/T-RCED-90-40, Mar. 8.

**U.S. Department of Agriculture:  
Need for Improved Workforce Planning**

GAO/RCED-90-97, Mar. 6.

This is the second report stemming from GAO's management review of the U.S. Department of Agriculture. Because USDA is faced with managing new technologies and cross-cutting program issues as well as rapidly changing workforce demographics, GAO believes the time is right to begin systematically planning for USDA's workforce needs. The report describes the need for improved workforce planning and recommends that a framework be developed at the departmental level to guide USDA agencies in developing consistent and effective workforce plans.

**Food Safety and Quality:  
Five Countries' Efforts to Meet U.S. Requirements on Imported Produce**

GAO/RCED-90-55, Mar. 22.

The rapid growth in fruit and vegetable imports during the 1980s has increased concerns about the safety and quality of imported food and the presence of pesticide residues. GAO looked at government and private sector pesticide controls in five countries—Chile, Costa Rica, the Dominican Republic, Guatemala, and Mexico—and found that they, like the United States, have designed their food safety and quality systems to address domestic needs and issues, not to meet other nation's import requirements. Because each country registers pesticides on the basis of its own climate, crops, and pest problems, an exporting country faces a maze of pesticide requirements that may differ from its own and may

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# Reports and Testimony: March 1990

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## Agriculture and Food

### **Alternative Agriculture: Federal Incentives and Farmers' Opinions**

GAO/PEMD-90-12, Feb. 16.

While American agriculture is highly productive, concerns about conventional farming practices have prompted interest in alternative farming methods that may lower health risks, protect farm resources, reduce environmental damage, and improve long-term farm profitability and competitiveness. The farmers GAO interviewed believe that greater management requirements, lower yields and profits, increased weed problems, and federal farm program constraints all create barriers to the use of alternative agriculture. The loss of program benefits that would result from using program crop acreage to grow nonprogram crops in a diversified crop rotation system is a key economic disincentive. GAO found no direct evidence that farmers are denied access to federal farm credit and crop insurance because of the use of alternative practices. However, these programs do stress conventional farming and are less likely to accept the potential of alternative farming, particularly those practices for which economic outcomes are uncertain. GAO summarized this report in testimony before Congress; see:

Alternative Agriculture: Federal Incentives and Farmers' Opinions, by Carl Wisler, Director for Planning and Reporting, before the Subcommittee on Department Operations, Research, and Foreign Agriculture and before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-PEMD-90-9, Mar. 15.

### **Federal Dairy Programs: Information on Inventory Management Activities**

GAO/RCED-90-119FS, Mar. 2.

This fact sheet presents information on the dairy price support program under which USDA buys butter, cheese, and nonfat dry milk that cannot be used commercially. The information, which covers fiscal years 1985 through 1989, relates to USDA's purchase and sale of dairy products under the program; federal storage, handling, and transportation costs for these products; and ending federal inventories of these products. In the context of upcoming deliberations on the 1990 farm bill, GAO testified on the implications of current dairy policy. GAO believes a long-term, permanent solution to the periodic surplus problem is needed. GAO recommends that Congress adopt changes in dairy programs that would

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(3) sources of information needed in investigating the national security implications of the investment.

Status Report on GAO's Reviews on P.L. 480 Food Aid Programs, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the House Agriculture Subcommittee on Department Operations, Research, and Foreign Agriculture and before the House Foreign Affairs Subcommittee on International Economic Policy and Trade. GAO/T-NSIAD-90-23, Mar. 21.

GAO testified on the status of its ongoing work in several areas concerning U.S. food aid programs, with emphasis on the first three titles of Public Law 480. GAO discussed (1) the integration of U.S. agricultural export programs with Public Law 480 Title I/III programs, including the roles of the Development Coordination Committee and the Agricultural Trade and Development Missions Program; (2) the management of Title III programs; (3) the Agency for International Development's efforts to better manage its food aid programs through development and use of a generic food aid management plan; (4) the role of U.S. private voluntary organizations in distributing Title II food aid; and (5) the extent to which AID should maintain accountability for the use of local currencies through the sale of Title I food aid.

Need for Study of U.S. International Broadcasting Policy, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittee on International Operations, House Committee on Foreign Affairs. GAO/T-NSIAD-90-24, Mar. 22.

Changes in the Soviet Union and Eastern Europe, developments in South Africa and Central America, the tight federal budget, and the passage of time since the last comprehensive review of international broadcasting in the 1980s point to a need to reexamine the missions of Radio Free Europe, Radio Liberty, and the Voice of America. GAO testified on H.R. 4013, legislation that would establish a bipartisan Presidential commission to review, assess, and report on the programs, goals, and future direction of the Board for International Broadcasting and the United States Information Agency. GAO believes the establishment of an independent group like a commission to review the U.S. governmental international broadcasting policy is appropriate and timely.

Accountability and Control Over Foreign Assistance, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on Foreign Operations,

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Export Financing, and Related Programs, House Committee on Appropriations. GAO/T-NSIAD-90-25, Mar. 29.

This testimony provides GAO's perspective on the potential for misuse of foreign economic and military aid funds. GAO discusses AID's accountability and control over cash transfers, its control over local currencies generated from U.S. assistance, and its management of overseas contracting and procurement systems. AID's malaria vaccine program is used as a case study of the abuses that can occur when controls are weak. In the area of military aid, GAO focuses on technology transfers, accounting systems for military aid, and the difficulties encountered in auditing covert aid. Fuel transfers to El Salvador, military aid to the Philippines, and humanitarian assistance to the Contras are some of the specific cases this testimony examines.

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## Justice and Law Enforcement

### **Immigration Reform: Employer Sanctions and the Question of Discrimination**

GAO/GGD-90-62, Mar. 29.

In its third and final annual report under the Immigration Reform and Control Act of 1986, GAO finds that the law, which prohibits employers from knowingly hiring unauthorized workers, (1) has apparently reduced illegal immigration and is not an unnecessary burden on employers, (2) has generally been carried out satisfactorily by INS and the Department of Labor, and (3) has not been used as a vehicle to launch frivolous complaints against employers. GAO also found widespread discrimination. On the basis of employers' answers to key survey questions about their hiring practices, GAO attributes much of this discrimination to provisions of the Immigration Reform and Control Act of 1986. An estimated 461,000 employers, or 10 percent of all those surveyed, reported national origin discrimination as a result of the law. Yet 90 percent did not, making discrimination because of the law a serious but not pervasive problem. GAO believes much of the discrimination is due to the lack of a simple or reliable way to verify an applicant's eligibility to work. Thus, it is likely that such discrimination could be reduced if employers had more education on the law's requirements and had a simpler and more reliable verification system. In GAO's view, Congress has three options: (1) leave the law alone for the present, (2) repeal the sanctions and antidiscrimination provisions, or (3) amend the law's verification system to reduce the law's discriminatory effects. GAO summarized this report in testimony before Congress; see:

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Immigration Reform: Employer Sanctions and the Question of Discrimination, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on the Judiciary. GAO/T-GGD-90-31, Mar. 30.

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## Testimony

U.S. Sentencing Commission: Changes Needed to Improve Effectiveness, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Criminal Justice, House Committee on the Judiciary. GAO/T-GGD-90-17, Mar. 7.

The U.S. Sentencing Commission was created in 1984 to develop guidelines for use by federal judges in sentencing criminals. Although sentencing guidelines went into effect in November 1987, GAO found that the Commission has fallen behind on major priorities like establishing a system to monitor sentences imposed under the guidelines and evaluating the impact of the guidelines. While a constitutional challenge resolved a year ago partly explains these delays, organizational disarray at the Commission is also a factor. GAO also found weak internal controls over travel and time and attendance reports, and poorly defined policies for human resources management.

Drug Crime and the Criminal Justice System: The Situation in the State of Michigan and Cities of Detroit and Adrian, by Lowell Dodge, Director of Administration of Justice Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-GGD-90-25, Mar. 19.

In 1988 there were almost 11,000 arrests for drug crime in the Detroit metropolitan area, an increase of 156 percent from 1985. In Adrian, Michigan, the comparable increase is 133 percent, while statewide drug arrests reached 27,000 in 1988, up 70 percent over 1985. These increases in drug arrests have increased the workload of federal prosecutors, courts, jails, prisons, probation and parole programs, and treatment programs. Jails and prisons have become increasingly overcrowded. GAO found that Michigan jurisdictions have responded in several ways. For instance, under a pre-trial diversion program, offenders deemed unlikely to repeat their offenses are offered probation. Alternatives to prison, including community service, boot camps, home confinement, and half-way houses, are also being used in Michigan.

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## National Defense, Security, and Military Procurement

### **Navy Acquisition: Cost, Schedule, and Performance of New Submarine Combat Systems**

GAO/NSIAD-90-72, Jan. 31.

To meet new Soviet threats and to ensure continued U.S. submarine superiority, the U.S. Navy has started developing two new advanced combat systems—the AN/BSY-1 and the AN/BSY-2—to be installed in nuclear submarines. These combat system programs, however, are experiencing cost, schedule, and performance problems. Because the Navy has established ambitious program objectives and schedules for its development of the complex submarine combat systems, it will have to accept less than fully capable combat systems in order to meet the shipbuilders' schedule.

### **Strategic Defense Initiative Program: Extent of Foreign Participation**

GAO/NSIAD-90-2, Feb. 7.

GAO reviewed the extent of foreign contracting in the Strategic Defense Initiative Program. GAO identified 67 foreign contracts valued at \$297.1 million, which represents about three percent of total Strategic Defense Initiative contract awards, and 86 foreign subcontracts from U.S. companies totaling \$48.4 million. The basis of award for the 67 foreign contracts was more often competitive than sole source, although sole-source awards accounted for a higher dollar amount. The basis of the award by each of the U.S. agencies administering foreign contracts varied. Israel received the largest dollar value of contracts among foreign recipients. DOD and foreign embassy officials said foreign contracts allow the United States not only to share technology with other countries but also benefit from technological developments in those countries.

### **Submarine Technology: Transition Plans Needed to Realize Gains From DOD Advanced Research**

GAO/IMTEC-90-21, Feb. 14.

Under the Advanced Submarine Technology Program (ASTP), DOD's Advanced Research Projects Agency is conducting technology research that could significantly improve submarine performance and increase

the U.S. technological edge. However, the Navy has not developed a strategy for effectively transitioning such research. Further, the Navy is not considering this research in designing the SEAWOLF submarine and is not planning the submarine design with features that will facilitate later implementation of technologies. Although much technology research remains to be done, the Navy could begin planning now to realize the gains from ASTP technology research. Development of transition plans and procedures could help ensure that the technologies are adequately considered for further development or incorporation on submarines now being designed and built, including the SEAWOLF.

**Household Goods:  
Competition Among Commercial Movers Serving DOD Can Be Improved**

GAO/NSIAD-90-50, Feb. 12.

DOD spends over \$400 million each year to ship and store the household goods of its members authorized to transfer or relocate within the 48 contiguous United States. Yet GAO found that DOD's two-phase system for obtaining rates for moving household goods is not truly competitive. In the first phase, each carrier submits a specific, or qualifying, bid. In the second bidding step, commonly known as the "me-too" phase, each carrier is given a chance to see what the others have bid and is permitted to match any lower bid. Carriers that make the effort initially to submit the lowest rates are not given any greater reward than those that simply wait to meet whatever other rates are offered. As a result, there is often little difference between carriers' rates. GAO recommends replacing the current system with a one-phase process in which all carriers have incentives to bid the lowest possible rates and successful bidders are rewarded with all the traffic they can handle for that route. GAO also found that DOD lacks data on the total actual cost and incidence of temporary storage. Estimates suggest that the overall figure is in excess of \$100 million a year. At nine of the 10 local shipping offices that GAO visited, goods were stored for over 50 percent of the shipments. Although there is always a need for some storage, GAO believes management of storage-in-transit could be improved.

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**Military Personnel:  
Designation of Joint Duty Assignments**

GAO/NSIAD-90-66, Feb. 15.

Congress passed the Goldwater-Nichols DOD Reorganization Act in 1986 to address long-standing problems affecting the ability of the military services to successfully carry out joint military operations. Under this legislation, officers must serve in at least one designated joint duty position before being considered for promotion to general/flag officer. GAO found that the legislation does not specify which positions should be included on the joint duty assignment list. Instead, DOD can decide which positions should be included as long as they are not in a military department or for joint training or education. DOD believes both operational and nonoperational joint positions provide the joint perspective called for by the legislation. GAO sampled the positions DOD designated as joint positions and found that 60 percent of the sampled positions in operational agencies and 40 percent of the sampled positions in support agencies provide joint operational experience. Only a very small percentage of the positions in both types of organizations provide single-service rather than joint experience.

**Military Installations:  
Coal Inventory and Consumption in the Federal Republic of  
Germany**

GAO/NSIAD-90-96, Feb. 23.

GAO reviewed the use of U.S. coal at DOD installations in West Germany. DOD reported that between April 1, 1988, and December 31, 1988, it had between 306,000 and 419,000 tons of U.S. coal stored in Germany. About two-thirds of that was anthracite coal. GAO visited six coal-handling locations that accounted for 72 to 79 percent of the total U.S. coal between April and December 1988. GAO could not verify the official inventory records at five locations—two Air Force and three Army—for several reasons, including a lack of required physical inventories of coal for recent years. DOD's coal consumption data for fiscal year 1988 appeared to be accurate since it matched the data reported on source documents maintained at the installations and their commands. According to reported DOD coal inventory and consumption data, as of September 30, 1988, DOD had enough anthracite coal on hand to satisfy projected demands through at least fiscal year 1993, given that no additional heating plant conversions other than those already approved

occur and no additional shipments of coal occur. DOD said that as of September 30, 1988, its facilities in Germany had enough anthracite coal on hand to last a minimum of five years.

**DOD Budget:  
Status of Five-Year Defense Plan**

GAO/NSIAD-90-131, Feb. 26.

This report supplements the information provided in GAO's February 22, 1990, report on DOD's Five-Year Defense Plan (see GAO/NSIAD-90-125BR). DOD did not submit a revised plan with the President's fiscal year 1991 budget submission, and DOD says it does not plan to submit a revised plan until the completion of the fiscal year 1992 budget cycle. The Conference report on the fiscal year 1988-89 DOD Authorization Act explained that DOD was to show in detail how its plans for the outyears of the five-year period would be affected by the enactment of the aggregate obligational authority for those years set forth in the President's budget. The conferees expected that the Five-Year Defense Plan submissions would be at the same level of detail as the fiscal years 1988 and 1989 budget submissions, together with the associated construction; procurement; and research, development, test, and evaluation annexes. While DOD has submitted budgetary information on planned reductions for fiscal years 1992-94, DOD believes that, given the level of uncertainty in the current international situation, it is not possible to submit a Five-Year Defense Plan that complies with the law. GAO agrees with DOD that the information submitted to date is not the submission contemplated by the law.

**DOD Revolving Door:  
Few Are Restricted From Post-DOD Employment and Reporting Has  
Some Gaps**

GAO/NSIAD-90-103, Feb. 27.

Revolving door legislation prohibits certain former DOD civilian employees and military officers from accepting compensation from defense contractors for two years after leaving DOD. GAO found that DOD and defense contractors have set up procedures to comply with the legislation, including provisions requiring defense contractors to report the names and duties of former DOD personnel to whom they paid compensation for the first two years after leaving DOD. GAO found that the legislation limited few DOD personnel from obtaining post-DOD employment with

defense contractors. In addition, some employees covered by the legislation may have been granted permission to accept contractor employment through a misinterpretation of the post-DOD employment restriction. Further, GAO found that some contractors' reports did not include all the former DOD personnel covered by the reporting requirement. GAO recommends that DOD further clarify and define the term "indirect compensation" to ensure uniform reporting by defense contractors of former DOD personnel who work for consulting firms.

**Abrams Tank:  
Block II Modifications Not Ready to Enter Production**

GAO/NSIAD-90-57, Feb. 28.

GAO reviewed the Army's plans to modernize the Abrams tank. In an earlier report, GAO recommended that the Secretary of Defense withhold approval of the obligation of Block II procurement funds for the Block II program pending certain Army actions. GAO was concerned that procurement funds would be obligated before further review by the Secretary. The Secretary has since issued his fiscal year 1991 budget, which reflects significant changes to the Block II program. Funding has been requested for only 62 Block II-modified Abrams tanks; subsequently the Secretary plans to end Abrams production. This number falls far short of the 2,926 Block-II modified tanks that the Army originally wanted. The cost per-tank would also be much higher than the approximately \$3 million per-tank cost estimated for the total program.

**Credit Discrimination:  
Alleged Credit Discrimination in Fort Ord Area**

GAO/NSIAD-90-95BR, Feb. 28.

GAO looked at whether financial institutions serving the Fort Ord, California, area were denying credit to military personnel solely because of their military rank. GAO's work indicated that denying credit on this basis is not a pervasive problem. Few military personnel have filed complaints about adverse credit practices by financial institutions at Fort Ord or in other parts of the country.

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**U.S. Weapons:  
The Low-Intensity Threat Is Not Necessarily a Low-Technology  
Threat**

GAO/PEMD-90-13, Mar. 2.

“Low-intensity conflict” involves political-military responses—including counterinsurgency, antiterrorism, peacekeeping, peacetime contingency operations, and counter-narcotics activities—to instabilities in the Third World. Current U.S. policy favors indirect measures like economic and military aid, training and advice, and information policy. The term “low-intensity warfare” refers to the use of U.S. forces should indirect measures fail. This report responds to three questions about low-intensity warfare: (1) What are the low-intensity warfare threats and contingencies U.S. armed forces face? (2) What are the lessons to be learned from the recent past about low-intensity warfare? (3) How is DOD addressing technology requirements for fighting low-intensity warfare?

**Defense Procurement:  
Fresh Fruit Buying Practices**

GAO/NSIAD-90-110, Mar. 2.

Each year the Defense Personnel Support Center in Philadelphia, Pennsylvania, a supply center of the Defense Logistic Agency, buys about \$140 to \$150 million of fresh fruits and vegetables for military bases, military commissary resale, and VA hospitals. As part of its review of these purchases of fresh produce, GAO was specifically requested to look at whether there has been a trend away from purchases of New Jersey products and, if so, whether these purchases have been cost effective for the government. GAO found that bulk purchases of New Jersey produce decreased from \$630,000 in 1986 to \$340,000 in 1989. GAO did not find that the decrease was due to discriminatory buying practices. The main reasons for the decrease seemed to be (1) weather conditions that affected the availability and the quality of some items; (2) lower prices from growers in other states; and (3) military commissaries' request for produce grown in other areas of the country. GAO found that the Defense Personnel Support Center used competitive procurement procedures and generally paid the lowest price for produce while also meeting quality standards.

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**Defense Inventory:  
Growth in Air Force and Navy Unrequired Aircraft Parts**

GAO/NSIAD-90-100, Mar. 6.

DOD's inventory of aircraft parts grew from \$17.3 billion in 1980 to \$53.6 billion in 1988. This report looks at (1) the current and past causes of growth in unrequired stock, (2) DOD actions that could minimize growth in unrequired stock in the future, and (3) growth in required stock inventories that are not needed for wartime or current-year operations. GAO found that the inventory of unrequired aircraft parts has increased at a faster rate than required stocks. Procurement management practices were a major cause of unrequired inventory growth in aircraft items. GAO believes that improved procurement practices could minimize buying items early and in greater quantities than required and could encourage terminating more orders for unneeded items. GAO also supports more accurate reporting of required versus nonrequired items as well as better visibility of unneeded items.

**Defense Inventory:  
Defense Logistics Agency's Excess Materiel on Order**

GAO/NSIAD-90-105, Mar. 6.

The Defense Logistics Agency is responsible for providing effective and economical logistics support to U.S. military forces. Its inventory, excluding fuel, grew from \$3.5 to \$9.4 billion between fiscal years 1981 and 1988. On the basis of a random sample at three supply centers, GAO estimates that from a universe of \$683.1 million the value of excess materiel on order for contracts over \$5,000 was between \$204 million and \$449.1 million. GAO found that for most excess on-order items, item managers are not making termination recommendations to contracting officers. Even when items are recommended for termination, contracts are not ended when this would result in cost to the U.S. government. In these cases, item managers are deciding to accept unneeded items without doing a required cost benefit analysis. Unless item managers receive estimates of termination costs, they do not have a reliable data base to determine if acquisition of excess items is in the government's best interest.

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**Defense Inventory:  
Growth in Ship and Submarine Parts**

GAO/NSIAD-90-111, Mar. 6.

DOD's inventory of secondary items—minor end items and spare parts—grew from about \$43 billion in 1980 to \$103 billion in 1988, an increase of 138 percent. The Navy's inventory of ship and submarine parts increased by 249 percent, from about \$2.7 billion in 1980 to about \$9.3 billion in 1988. In 1988, 40 percent of the Navy's inventory of ship and submarine parts was unrequired. GAO sampled the 183,000 items that comprise such stocks and found that the major causes for the unrequired inventory were requirements that did not materialize, deactivation of older ships, and replacement and phasing out of equipment. However, GAO could not determine why unrequired inventory exists for over half of the sample items, since (1) documents justifying past procurements decisions are not available, (2) the Navy has no record of events affecting the demand for these items, and (3) sometimes the managers are not familiar with the procurements or demand history of their items. Unrequired inventory can be minimized by ensuring that items being replaced or phased out are not purchased or repaired unnecessarily. GAO also identified ship and submarine parts that have little potential for future use. GAO estimates that the Navy is spending \$24 million annually to store and manage 140,000 items that may be of no use. GAO summarized this report, along with GAO/NSIAD-90-100 and GAO/NSIAD-90-105, in testimony before Congress; see:

Defense Inventory: Problems in Managing Secondary Items, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs, before the Senate Committee on Governmental Affairs. GAO/T-NSIAD-90-19, Mar. 6.

**Defense Inventory:  
Top Management Attention Is Crucial**

GAO/NSIAD-90-145, Mar. 26.

During the past 20 years, over 100 GAO reports have discussed DOD inventory management, an area GAO believes is highly vulnerable to mismanagement, fraud, and abuse. While DOD has promised corrective action in response to GAO recommendations, DOD's efforts have not been effectively implemented, and the basic problems in DOD's inventory management remain. This report to the Secretary of Defense summarizes

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GAO's past work, discusses private sector practices to improve the economy and efficiency of its inventory management activities, and makes recommendations for improvement. GAO summarized this report in testimony before Congress; see:

Continuing Problems in the Department of Defense's Inventory Management, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-90-26, Mar. 28.

**Army Inventory:  
Growth in Inventories That Exceed Requirements**

GAO/NSIAD-90-68, Mar. 22.

Inflation, price increases, and the major modernization efforts undertaken by the Army have all contributed to inventory growth. While it was not possible to determine the influence of each of these factors on inventory growth, one fact was clear: the percentage of inventory that was not needed to meet approved requirements grew faster than did overall inventories. As of September 30, 1988, inapplicable inventory represented \$2.6 billion, or 22 percent, of the Army's total inventory. This figure represents a 168-percent growth compared to a 96-percent growth for the overall inventories since 1983. GAO determined that more timely and aggressive actions by item management officials could have reduced the procurement of unneeded items. GAO also found that inaccurate information in the requirements database had contributed to the growth of inapplicable inventory and had been previously reported by various audit groups at other Army buying commands as well as at the Aviation Systems Command.

**Army Procurement:  
FMC's Quality Controls and Pricing Practices on the Bradley Fighting Vehicle**

GAO/NSIAD-90-86, Mar. 7.

Former employees of FMC Corporation, the builder of the Bradley Fighting Vehicle, have alleged that FMC inflated the prices of spare parts and knowingly designed and built a faulty vehicle. GAO found that the spare part prices developed by FMC and entered into the Army's Master Data File were often estimates that had little relationship to the actual cost of the spare parts. However, the Army used FMC's cost or pricing data

rather than the prices in the Master Data File to negotiate the spare parts prices. While GAO did not do pricing reviews of the spare parts contracts, it has done such reviews on Bradley production contracts and has identified significant overpricing. Bradleys with problem parts have been delivered to the government, but GAO found no evidence that FMC had delivered these vehicles deliberately. At the request of the Defense Contracting Administration Services, FMC reviewed its entire system for controlling nonconforming material, which the Defense Contracting Administration Services found to be inadequate in August 1989. As of December 1989, FMC had completed this review, and the results were being studied by the Defense Contract Administration Services.

**DOD Health Care:  
Funding Shortfalls in CHAMPUS, Fiscal Years 1985-91**

GAO/HRD-90-99BR, Mar. 19.

GAO found that funding shortfalls for the Civilian Health and Medical Program of the Uniformed Services have totaled \$1.8 billion over the past five fiscal years; an additional \$441 million funding shortfall is expected in fiscal year 1990. DOD projects no shortfall in fiscal year 1991 because of its efforts to reduce CHAMPUS costs. In every year since 1986, DOD has requested less funds in its budget than it estimated the program was going to cost. These lower estimates have been a major contributor to the yearly CHAMPUS funding shortfalls. In addition, each year Congress appropriates less money than DOD requests. Unexpected start-up costs for the CHAMPUS Reform Initiative and the extension of CHAMPUS care to Coast Guard beneficiaries also contributed to shortfalls in some years. DOD estimates of future CHAMPUS costs rely on projected savings from efforts to accommodate more of the CHAMPUS workload in the direct care system. If these efforts are unsuccessful, DOD may continue to experience substantial shortfalls.

**Defense Health Care:  
Military Physicians' Views on Military Medicine**

GAO/HRD-90-1, Mar. 22.

The percentage of military physicians leaving the service has increased in recent years, from 13.7 in 1985 to 15.6 in 1988. This has caused concern about DOD's ability to meet combat medical requirements in the event of war and to provide services to beneficiaries in peacetime. GAO

found that physician's intentions to leave the service over the next several years parallel DOD's historical attrition rates. Almost one-half of the active-duty physicians indicated at least a 70-percent probability of leaving the service when they become eligible and about two-thirds voiced a 50-percent chance of leaving. At least one-half of the physicians were unhappy with many aspects of military medicine. GAO's analysis of several of these factors suggests that active-duty physicians' intentions to leave are influenced by (1) the amount of time spent on nonphysician tasks, (2) a gap between military and civilian physician compensation, and (3) the lack of opportunity to practice in their primary specialties. The number of hours that initial obligees must devote to readiness training also affects their intentions to leave. Physicians who are beyond their initial obligations are influenced by the number of unwanted permanent changes of station. GAO believes that the probability of physicians leaving military service can be most effectively reduced by increasing compensation, by decreasing the time physicians spend on nonphysician tasks, or both.

**Test and Evaluation:**

**An Assessment of DOD's Operational Test and Evaluation Capability Improvement Program**

GAO/NSIAD-90-141, Mar. 30.

Concerned that DOD was not devoting needed emphasis and independent oversight to operational test and evaluation, Congress established an Office of the Director for Operational Test and Evaluation in 1983. For this report, GAO reviewed the jurisdiction and mission of the Office of the Director to determine whether the Capability Improvement Program was within the scope of that mission or whether it would be more appropriate for another DOD organization to conduct it. GAO also (1) evaluated the Director's coordination with the services and intelligence community in acquiring test resources and (2) reviewed DOD's submission to Congress supporting the fiscal year 1989 program to ensure that duplicate test resources would not be acquired.

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Testimony

Defense Budget and Program Issues in the Fiscal Year 1991 Budget, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Armed Services. GAO/T-NSIAD-90-18, Mar. 1.

Rapidly changing world events, particularly in Eastern Europe, are creating new challenges. DOD and Congress are now striving to cut defense

spending while maintaining national security. In this type of environment, hard decisions are even more difficult to make, but GAO believes this is an opportunity to reassess strategies and priorities. The Comptroller General's testimony focuses on the following areas: (1) the prospects for deficit reductions in fiscal year 1991 and beyond; (2) the relationship between the most recent Five Year Defense Plan and the five-year budget projections for defense spending in the President's fiscal year 1991 budget submission; (3) defense management and areas for possible improvement; (4) the prospects for achieving savings mentioned in the recent Defense Management Report; (5) the results of GAO's financial review of the Air Force; (6) DOD programs vulnerable to fraud, waste, and abuse and how those risks can be reduced; and (7) other defense programs GAO has refocused on to better respond to the changing political, military, and economic realities around the globe.

Comments Relating to Reauthorization of the Defense Production Act, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-NSIAD-90-10, Mar. 1.

GAO testified on S. 1379, proposed legislation that would reauthorize and amend the Defense Production Act of 1950. GAO supports the bill's emphasis on a healthy industrial and technological base. It is apparent that national security is increasingly tied to the strength of the nation's economy and the ability of industry to compete, particularly in areas in which technological leadership is important. GAO also agrees with provisions in the bill to modernize the Defense Production Act of 1950 by enhancing the competitiveness of defense industries. The Defense Production Act requires an annual report to Congress on the impact of off-sets on U.S. defense preparedness, industrial competitiveness, employment, and trade. GAO believes the bill should be changed to provide for disclosure of significant dissenting agency views in the report. GAO is concerned that acquiring the initial \$200 million for the Defense Production Act fund from the national stockpile could harm the stockpile program. GAO is also concerned that rapid technological developments could make obsolete inventories of goods stockpiled for mobilization purposes. Finally, GAO believes Congress should consider the need for adequate information on selected defense industries that support major weapon systems, including critical subtier industries.

Evaluation of the Army's Civilian Marksmanship Program, by Richard Davis, Director of Army Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-90-20, Mar. 8.

The Civilian Marksmanship Program was established by congressional mandate in 1903 as a way to train U.S. civilians in rifle marksmanship. At the time, civilian training in marksmanship was seen as essential to overall military preparedness. In the intervening years, however, Congress has debated the mission and utility of the Civilian Marksmanship Program many times. GAO's testimony, which focuses on the program's mission, purpose, usefulness, and cost, is based on a review of pertinent program and congressional documents as well as interviews with a wide range of service and DOD officials.

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-AFMD-90-11, Mar. 8.

The Comptroller General testified on GAO's recent efforts to audit the Air Force's fiscal year 1988 financial statements. This was the first time that a military service developed financial statements and provided them to GAO for audit. GAO found that the Air Force's accounting systems do not provide accurate cost data for almost 80 percent of its non-cash resources, including weapons, inventory, and equipment. As a result, the Air Force's accounting and financial management systems can neither provide complete and reliable financial data nor be depended upon to report accurately on the resources entrusted to its managers. GAO's audits of the Air Force and other agencies and government corporations have discovered that the true financial situation of these entities has not been disclosed to the public, Congress, OMB, and the Treasury. GAO also found that agency managers did not understand the financial condition of their agencies before they tried to produce auditable financial statements. GAO's Air Force audit illustrates the need for financial statements and audits at all federal agencies. Reliable cost information needed to manage in a cost-effective manner flows from the good accounting systems necessary to prepare financial statements.

Potential Expansion of the CHAMPUS Reform Initiative, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-HRD-90-17, Mar. 15.

GAO examined two issues related to the Department of Defense's CHAMPUS Reform Initiative demonstration project: (1) the progress made in overcoming obstacles in implementing the initiative in California and Hawaii and (2) the adequacy of support for expanding the initiative into

Arizona, Nevada, and New Mexico. GAO testified that DOD and its principal contractor—Foundation Health Corporation—have substantially improved claims processing, resource sharing efforts, and financial management over the past year. However, GAO believes that any decision to expand the initiative should be delayed until there is more convincing evidence that the initiative is saving money—a key DOD element for judging its success. A delay would also allow DOD to determine whether the Foundation Health Corporation's progress under the contract is being sustained.

Defense Industrial Security: Special Security Agreements Permit Foreign-Owned U.S. Firms to Perform Classified Defense Contracts, statement for the record by the National Security and International Affairs Division for the House Committee on Armed Services. GAO/T-NSIAD-90-17, Mar. 21.

Since 1984 Special Security Agreements have allowed U.S. firms that have come under foreign ownership, control, or influence to continue to work on classified defense contracts. Previously these firms would have had to turn over management control to U.S. citizen trustees under a proxy or voting trust agreement or risk losing their U.S. security clearances. Some DOD security officials believe the current arrangement increases the potential for inadvertent disclosure of classified information or undue pressure by foreign officials on U.S. management or employees to divulge classified information. In this testimony, GAO (1) reviews the history of the Special Security Arrangements, (2) looks at the extent to which classified defense contracts are being done under these agreements, and (3) presents the views of current and former DOD officials on the adequacy of Special Security Agreements policy and its implementation for protecting U.S. classified information.

Legislative Proposals to Establish Professional Acquisition Corps, by Paul F. Math, Director of Research, Acquisition, and Procurement Issues, before the Subcommittee on Investigations, House Committee on Armed Services. GAO/T-NSIAD-90-27, Mar. 28.

GAO supports the proposal to create a professional acquisition work force and corps within each military service. GAO believes it is important for good people to be recruited into the acquisition work force, and GAO strongly agrees that clear career paths with requirements for education, training, and experience are needed for all positions. GAO also supports the idea that both military and civilian personnel should be considered equally when determining assignments. GAO does believe that further

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clarification is needed in some areas of the proposal, such as the Defense Acquisition concept and recruitment and retention incentives.

Access to Medical Care at Overseas Military Hospitals, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-HRD-90-20, Mar. 29.

GAO testified on the problems that active duty personnel and their dependents have experienced in obtaining medical care overseas. Long waits for routine appointments and surgeries, lengthy delays in getting lab results, and reductions in or unavailability of important services are some of the problems GAO encountered. Specialties that provide care mainly to dependents, such as obstetrics, gynecology, family practice, and pediatrics, seemed particularly prone to access problems. GAO believes that too few doctors, nurses, technicians, and other medical personnel are the main cause of the problem. Access problems are also due to the lack of diagnostic and other equipment, facility constraints, and the significant amount of time that medical staff have to spend on non-medical duties. In light of anticipated troop withdrawals from overseas, particularly Europe, GAO believes that Congress should consider withdrawing proportionately fewer medical than other types of personnel.

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## Natural Resources

### **Reclamation Law: Changes to Excess Land Sales Will Generate Millions in Federal Revenues**

GAO/RCED-90-100, Feb. 1.

The availability of federal irrigation water to western farmland—due to the government's construction of water resources projects in the west—increases the land's value. When excess land is sold, this added value becomes a profit that is not returned to the federal government. Under existing reclamation law, about 121,000 acres of excess land under recordable contracts will be sold within the next few years, which could generate as much as \$100 million in profits. Additional revenues could be obtained if excess land not under recordable contracts is sold in the future. Because reclamation law provide the opportunity for profiting from excess land sales, GAO recommends that the law be changed so that the federal government obtains the profit created by the construction of the federal water resources projects.

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**Tongass National Forest:  
Administration of Two Long-Term Alaskan Timber Contracts**

GAO/RCED-90-87, Feb. 21.

Two long-term timber contracts in the Tongass National Forest require private companies to harvest prescribed amounts of timber within agreed upon time frames during the 50-year contract life. GAO reviewed the accuracy of Forest Service figures for the volume of (1) timber actually harvested under the two contracts, (2) timber deleted from the private companies' operating plans, and (3) backlogged timber. GAO was unable to verify the first two figures because the Forest Service had not complied with all of its internal controls and because documentation and records were incomplete. GAO was able to verify the figure for backlogged timber. While the Forest Service has tried to better account for timber prepared for harvesting through improved internal controls, GAO believes additional actions are needed to ensure that (1) forest supervisors comply with the internal controls for documenting harvested timber volumes and (2) the information needed to support and report changes in timber sale activities is accurately reported.

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**Testimony**

Information on Timber Harvesting, Planting, Federal Assistance Programs, and Tax Provisions, by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the House Committee on Ways and Means. GAO/T-RCED-90-45, Mar. 8.

GAO testified that timber harvesting increased four percent from 1986 to 1988; tree planting and seeding increased 23 percent over this same period. About 90 percent of the increase in national tree planting and seeding came from increases in the number of trees planted under three Department of Agriculture programs that expanded rapidly over the period. GAO looked at federal income tax provisions and found that they do affect the industry's calculation of taxable income. The Joint Committee on Taxation, for example, recently estimated that two such provisions reduce federal tax revenues by \$460 million annually. The Forest Service projects that timber harvesting nationally will increase by more than one-half over the next 50 years, while industry employment will drop by one-fourth due to increased labor productivity. These changes, however, may vary considerably by region.

Administration of the Federal Ban on Exports of Unprocessed Federal Timber, by William E. Gahr, Associate Director for Food and Agriculture

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Issues, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-90-51, Mar. 20.

GAO testified that if Congress desires to effectively limit the export of federal timber, several steps need to be taken. It is clear that the implementing regulations of the Forest Service and the Bureau of Land Management are inconsistent and need to be made uniform. The Bureau's regulations allow companies to increase their levels of purchases and exports of timber over time, without limit, whereas the Forest Service limits the levels to the 1971-73 period. In addition, penalties for noncompliance should be stiffened to encourage compliance. Furthermore, both agencies' monitoring mechanisms need to be strengthened and improved.

Adequacy of the Regulatory Oversight of the Trans-Alaska Pipeline and Terminal, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Water, Power, and Offshore Energy Resources, House Committee on Interior and Insular Affairs. GAO/T-RCED-90-55, Mar. 29.

The Exxon Valdez spill abruptly brought to the nation's attention the risks of transporting crude oil. While oil tanker transportation received many of the headlines, the safety of pipelines carrying oil and the terminals that store it have also been called into question. GAO testified on the adequacy of regulatory oversight of the 800-mile Trans-Alaska Pipeline System and the terminal at Valdez, Alaska. GAO sees increased and coordinated regulatory oversight as a major component of an effective operational and emergency response strategy for the pipeline. The current lack of comprehensive and systematic oversight is of particular concern because of recent revelations of significant corrosion problems in the pipeline.

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## Science, Space, and Technology

### **Space Operations: NASA Is Not Properly Safeguarding Valuable Data From Past Missions**

GAO/IMTEC-90-1, Mar. 2.

NASA's past space missions have yielded a wealth of information about the earth, its solar system, and the universe. In the future, our ability to monitor changes in the earth's environment, including depletion of ozone

and destruction of the rain forests, may depend on data from early missions. NASA has recorded this data on an estimated 1 million reels of magnetic tape. Yet GAO found that hundreds of thousands of tapes containing space science data are being stored under deplorable conditions. NASA has not done an agencywide inventory of its magnetic tapes and is unsure what data are retained or lost. Nor can NASA easily identify or retrieve tapes being stored in its centers or at universities. In addition, NASA has neither enforced federal regulations nor developed its own standards for acceptable storage, maintenance, security, and inventory practices. NASA has begun to address this problem; however, unless adequate resources are allocated to improving tape storage and archival facilities, continued deterioration of the magnetic tapes may result in the permanent loss of irreplaceable space data. This is a particularly pressing problem in light of the massive volumes of data expected from future NASA missions.

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## Tax Policy and Administration

### **IRS' Reorganization: IRS Senior Executives' Views on the Impact of the 1987 Reorganization**

GAO/GGD-90-45, Mar. 8.

As an outgrowth of a joint general management review of the Internal Revenue Service, GAO and IRS agreed to survey IRS senior executives' perceptions about the effectiveness of a 1987 reorganization of top-level positions. Overall, IRS senior executives found the reorganization to be positive but had mixed views about how well it achieved its stated goals. They believed that it helped organizational communication and decisionmaking but had little impact on strengthening managerial accountability throughout IRS. In October 1989, IRS created three new positions—Chief Information Officer, Chief Financial Officer, and Controller—to further strengthen managerial accountability.

### **Tax Policy and Administration: 1989 Annual Report on GAO's Tax-Related Work**

GAO/GGD-90-46, Mar. 16.

This report summarizes GAO's work on tax policy and administration during fiscal year 1989. GAO products focused on ways Congress and the administration could increase revenues, enhance the effectiveness of tax incentives, improve compliance with the nation's tax laws, and improve

IRS' management effectiveness. This report also cites actions resulting from GAO's work.

**Tax Policy:**

**State Tax Officials Have Concerns About a Federal Consumption Tax**

GAO/GGD-90-50, Mar. 21.

This report provides an overview of state tax officials' concerns about the use of a broad-based federal consumption tax to help reduce the federal deficit. GAO found that two-thirds of all state policymakers—including Governors, state legislators, and their staffs—opposed such a broad-based federal consumption tax. Both a federal retail sales tax and a value-added tax were viewed as an intrusion into state tax programs. Policymakers were especially concerned that a broad-based consumption tax would reduce their ability to increase future revenue through their own state retail sales taxes. Forty-five percent of the policymakers said that additional revenue to reduce the federal deficit should come from corporate income taxes; 37 percent would use individual income taxes. This report also discusses tax design alternatives that would address state tax officials' concerns.

**Tax Policy:**

**Uncertain Impact of Repealing the Deferral for Reinvested Shipping Income**

GAO/GGD-90-35, Mar. 26.

Before passage of the Tax Reform Act of 1986, shipping income, if earned outside the United States and reinvested in shipping assets, could be excluded from income subject to taxation in the year earned. Today a higher percentage of foreign-based shipping income is subject to immediate taxation. GAO believes that this increase is largely due to the repeal of the deferral for shipping income. Because the parent corporation pays tax on its total operations, GAO could not determine the actual amount of tax revenue generated from foreign-earned shipping income. However, even though a larger percentage of the income is subject to taxation, tax revenue may have fallen in 1984 due to lower corporate tax rates and to a decline in reported foreign-earned shipping profits. The impact of the repeal on owners' decisions to reinvest in ships is unclear; however, GAO found no evidence that the deferral's repeal has affected the number of U.S.-owned foreign flag ships to date. GAO also

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reviewed the military's plans for these ships and found that it plans to use 124 of the 328 U.S.-owned oceangoing foreign flag ships for wartime sealift. There are, however, unresolved issues—including U.S. requisitioning authority—concerning the availability of these ships in wartime.

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## Testimony

IRS' Budget Request for Fiscal Year 1991 and Status of the 1990 Tax Return Filing Season, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-90-26, Mar. 22.

Faced with funding shortfalls of about \$825 million over the past two years, IRS imposed a hiring freeze, curtailed promotions, cut back support services, and reduced compliance programs. These decisions have affected IRS' ability to do its job. GAO believes IRS' fiscal year 1991 budget lays a foundation for improving the agency's fiscal environment. More importantly, it appears that the events of the past two years have heightened IRS' sensitivity to the need to better manage its resources and to maintain stricter accountability for the use of those resources. GAO is especially encouraged by the leadership of IRS' Chief Financial Officer in bringing more direction and oversight to the budget execution process. GAO notes that with the exception of a few problems that have delayed some refunds, returns processing has gone smoothly this year. GAO applauds the significant increase in the accuracy of IRS' telephone responses to taxpayer tax law inquiries—IRS assistors answered 78 percent of GAO's tax questions—although GAO is troubled by the decreasing ability of taxpayers to get through to the assistors.

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## Transportation

### **Amtrak: Limited Income From the Revenue Enhancement Program**

GAO/RCED-90-76, Feb. 1.

Amtrak's Revenue Enhancement Program (REP) was designed to generate income through competition with the private sector in areas other than passenger service. In the past, Amtrak had said it would rely on the REP to help reduce federal subsidies and to provide significant additional funding necessary for capital needs in the 1990s. The REP has grown over the past five years; however, GAO concludes that it has neither contributed significantly to Amtrak's capital requirements nor reduced federal subsidies. Amtrak's President said in 1989 that a federal subsidy will be needed in the future to help replace passenger cars

and locomotives. In addition, Amtrak has not provided Congress with detailed financial information about current and planned revenue enhancement projects and their contribution to total projected revenues. GAO also looked at whether Amtrak competed fairly with the private sector when it bid for a 1988 welding contract with New Jersey Transit. In GAO's view, Amtrak's efforts to secure the contract by using outdated costs when better data were available and by establishing a narrow profit margin raises a question as to whether Amtrak met either the congressional directive to compete fairly or its own policy of making a profit on each contract. Further, Amtrak did not properly assign all costs associated with executing the contract. As a result, GAO estimates that Amtrak lost \$88,870 rather than the \$87,780 profit reported.

**Airline Competition:  
DOT and Justice Oversight of Eastern Air Line's Bankruptcy**

GAO/RCED-90-79, Feb. 23.

GAO reviewed the responsibilities of the Department of Transportation and the Department of Justice with respect to the Eastern Air Lines bankruptcy proceedings. GAO believes that both Departments have adequately fulfilled their responsibilities to protect airline competition. Most notably, both Departments opposed the sale of Eastern's Philadelphia gates to USAir on the grounds that it would reduce competition in the Mid-Atlantic Region. Their opposition ultimately led to the sale of the gates to Midway Airlines. GAO does not believe legislation is needed to clarify DOT's and/or Justice's responsibilities. Because Justice already represents the United States in the Eastern bankruptcy proceeding, it can raise competitive issues for itself or on behalf of DOT. However, if Justice was not a party, GAO's review of past cases suggests that either Department would not have difficulty becoming a party because of their regulatory responsibilities to protect and promote competition. Even if they were denied status as a party, DOT or Justice could take action outside the bankruptcy proceeding to protect or promote competition.

**Coast Guard:  
Better Process Needed to Justify Closing Search and Rescue  
Stations**

GAO/RCED-90-98, Mar. 6.

Coast Guard search and rescue stations play an important role in protecting the lives of commercial fisherman, recreational boaters, and

others involved in accidents on the nation's waterways. In January 1988, reacting to an expected shortage of funds, the Coast Guard decided to close nine of its stations and to curtail operations at six others. Congress, however, told the Coast Guard to reopen the closed stations pending a GAO review of the January 1988 decision. GAO found that the Coast Guard's 1988 attempt to close or reduce operations at the stations was unsuccessful because its reasons for doing so were not convincing. At the time of the decision, the Coast Guard lacked policies and procedures for what criteria should be used, how the criteria should be applied, and how recommendations should be developed or documented. The Coast Guard has experienced funding shortages before and has tried to reduce its station activities without much success in recent years. Because this issue is politically sensitive, it is imperative that Members of Congress are convinced that the Coast Guard's decisions are based on a sound process that includes criteria that adequately address its station and other missions. GAO believes the Coast Guard should apply the criteria consistently to all stations nationwide, ensure that the data are complete and accurate, and document the decision process.

**Highway Safety:  
Trends in Highway Fatalities 1975-87**

GAO/PEMD-90-10, Mar. 9.

The National Safety Council reports that since 1948, almost half of the approximately 100,000 accidental deaths each year result from motor vehicle accidents. GAO studied fatal traffic accidents in the United States from 1975 through 1987—a period for which there are data in the Fatal Accident Reporting System—and found an overall increase in fatal accidents from 1975 to 1980, a decrease through 1982 and 1983, and an increase again through 1987. The following are some highlights of GAO's findings: (1) Increased motor vehicle safety restraint use since 1979 and 1980 appears to have saved the lives of many drivers and passengers. Further, the percentage of occupants not using safety restraints has continued to increase. (2) The rate of involvement of women drivers in fatal accidents has increased more than 20 percent since 1975 and this rate of increase applies to nearly all female age groups. (3) While drinking drivers are a very serious traffic safety problem, the percentage of drinking drivers in fatal accidents appears to be declining. (4) The number of small cars involved in fatal motor vehicle accidents has increased more than 100 percent from 1975 through 1987; the number of light trucks and vans in fatal accidents has increased more than 50 percent in the

same time. While both the accident and fatality rates per number of registered vehicles is generally declining for these types of vehicles, these rates remain a matter of concern since they are considerably higher than those of larger automobiles. GAO also looked at highway environment issues, such as narrow bridges, operational deficiencies, wet weather performance, studded tires, freeway signs and related highway geometry, and roadside hazards.

**Truck Safety:  
States' Progress in Testing and Licensing Commercial Drivers**

GAO/RCED-90-78, Mar. 12.

Accidents involving large trucks result in over 4,500 highway fatalities and about \$6 billion in financial losses annually. Although large trucks account for only 4.5 percent of vehicle miles traveled, accidents involving them represent 10 percent of all fatal highway accidents. By April 1992, states must test and license their commercial drivers under new minimum federal standards. GAO found that at least 33 states will have a difficult time completing driver testing and licensing by the April 1992 deadline. GAO estimates that at least 360,000 drivers in 13 states may not be tested and licensed on time and therefore could lose their driving privileges. Some states have yet to enact legislation adopting the new federal testing and licensing requirements, and most states are experiencing problems in making computer changes needed to connect to the national driver information system. Once these problems are resolved, most states will have two years or less to test and license all drivers. States normally license all drivers over a four-year period. GAO recommends that the Federal Highway Administration (1) encourage states to begin their testing programs while they resolve difficulties in connecting to the national information system and (2) develop, in cooperation with each state, action plans to help ensure that each state completes testing and licensing by the April 1992 deadline.

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**Testimony**

Staffing, Training, and Funding Issues for FAA's Major Work Forces, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-90-42, Mar. 14.

Several times over the past few years, GAO has reported that FAA needs to improve its hiring and training of three work forces critical for air

safety—air traffic controllers, aviation safety inspectors, and maintenance technicians. In this testimony, GAO reiterates some of its concerns and discusses a range of needed management improvements. Although FAA has made progress in developing adequately trained work forces, GAO is concerned that the scope and cost of this undertaking is still not fully appreciated. A high level of air safety demands not only a commitment to fund increases in the controller, inspector, and field-maintenance work forces but also a concurrent commitment to adequately train these work forces to do their jobs. FAA senior management needs to sustain its commitment to addressing emerging human resource issues, as well as to initiatives already begun.

Issues to Be Considered During Deliberations to Reauthorize the Federal-Aid Highway Program, by John W. Hill, Jr., Associate Director for Transportation Issues, before the Subcommittee on Water Resources, Transportation, and Infrastructure, Senate Committee on Environment and Public Works. GAO/T-RCED-90-50, Mar. 19.

In light of upcoming deliberations on a major federal-aid highway program, GAO discussed the difficult decisions Congress will have to make on how best to spend available federal dollars to meet highway and bridge needs. GAO's testimony focused on (1) increased funding needed for the Interstate 4R Program; (2) projections that Highway Trust Fund revenues will exceed authorized commitment levels; (3) tolls as a viable, alternative revenue source for states; (4) increased state flexibility in targeting spending as a result of the Combined Road Plan demonstration block grant; (5) variance in the degree to which state highway laws parallel federal statutes.

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## Veterans' Affairs

### **VA Health Care: Veterans' Concerns About Services at Wilmington, Delaware, Center**

GAO/HRD-90-55BR, Feb. 8.

GAO looked into veterans' concerns about health care services at the VA's Wilmington, Delaware, Medical Center. Concerns were expressed about cleanliness at the center and about delays in obtaining care in the following areas: outpatient orthopedics, pharmacy, prosthetics, cardiology, speech therapy, and diagnostic testing. In November 1989, GAO reported that steps had been taken to address concerns in the cardiology and

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diagnostic testing areas. Waiting times for speech therapy and prosthetics did not seem to be a problem. In this report, GAO concludes that the medical center and headquarters officials have taken reasonable steps to address veterans' concerns about orthopedic care, pharmacy services, outpatient care, and housekeeping services.

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### AGRICULTURE AND FOOD

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GAO/PEMD-90-12, Feb. 16.

Federal Dairy Programs: Information on Inventory Management Activities  
GAO/RCED-90-119FS, Mar. 2.

U.S. Department of Agriculture: Need for Improved Workforce Planning  
GAO/RCED-90-97, Mar. 6.

Food Safety and Quality: Five Countries' Efforts to Meet U.S. Requirements on Imported Produce  
GAO/RCED-90-55, Mar. 22.

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Farmers Home Administration's Implementation of the Agricultural Credit Act of 1987 and Sales of Farm Inventory Property  
GAO/T-RCED-90-38, Mar. 5.

Roles, Cost, and Criteria for Assessing Agriculture Disaster Assistance Programs Between 1980 and 1988  
GAO/T-RCED-90-37, Mar. 6.

Federal Dairy Programs: Insights Into Past Provide Perspective for the Future  
GAO/T-RCED-90-28, Mar. 7; and  
GAO/T-RCED-90-40, Mar. 8.

Alternative Agriculture: Federal Incentives and Farmers' Opinions  
GAO/T-PEMD-90-9, Mar. 15.

General Accounting Office's View on the Conservation Provisions of the 1990 Farm Bill  
GAO/T-RCED-90-49, Mar. 15.

Five Latin American Countries' Controls Over the Registration and Use of Pesticides  
GAO/T-RCED-90-57, Mar. 28.

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DOD Overseas Schools: Additional Assurances of Educational Quality Needed  
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GAO/T-HRD-90-18, Mar. 16.

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Federal Electric Power: Bonneville's Residential Exchange Program  
GAO/RCED-90-34, Feb. 6.

Federal Electric Power: Views on the Sale of Alaska Power Administration Hydro-power Assets  
GAO/RCED-90-93, Feb. 22.

Nuclear Waste: Transuranic Waste Storage Limitations at Rocky Flats Plant  
GAO/RCED-90-109, Feb. 28.

Nuclear Waste: Quarterly Report as of September 30, 1989  
GAO/RCED-90-103, Mar. 2.

Nuclear Science: DOE's Acceptance of Academy of Sciences' 1986 Inertial Fusion Technical Priorities  
GAO/RCED-90-115FS, Mar. 15.

Nuclear Science: Performance of Participants in DOE's Inertial Confinement Fusion Program  
GAO/RCED-90-113BR, Mar. 15.

Fossil Fuels: Pace and Focus of the Clean Coal Technology Program Need to Be Assessed  
GAO/RCED-90-67, Mar. 19.

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GAO's Views on DOE's 1991 Budget for Addressing Problems at the Nuclear Weapons Complex  
GAO/T-RCED-90-33, Mar. 2.

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GAO/T-RCED-90-39, Mar. 8.

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□ Lawn Care Pesticide Risks Remain Uncertain While Prohibited Safety Claims Continue  
GAO/T-RCED-90-53, Mar. 28.

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□ Bank Powers:  
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□ Activities of Securities Subsidiaries of Bank Holding Companies  
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