
Reports and Testimony: July 1994

Highlights

C-17 Aircraft

The Air Force has overestimated the number of airfields worldwide that can accommodate the wide-bodied, C-17 cargo plane, overstating the C-17's advantage over the older C-5 transport; GAO also found that a cost and operational effectiveness analysis, concluding that a fleet of 120 C-17s is preferable to a mix of transports, was based on questionable assumptions. Page 30.

Trade Agreement

Congress will have to weigh competing interests in deciding whether to implement the Final Act of the Uruguay Round of the General Agreement on Tariffs and Trade, but GAO believes that it will produce overall economic gains for the United States, although some sectors of the U.S. economy will suffer from increased foreign competition. Page 27.

Federally Subsidized Housing

Some low-income families in subsidized housing endure very poor living conditions while landlords collect rents that in some cases are higher than those for well-maintained rental units nearby; meanwhile, the Department of Housing and Urban Development has been inconsistent in demanding improvements. Page 23.

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Budget and Spending

Budget Policy: Issues in Capping Mandatory Spending

GAO/AIMD-94-155, July 18 (100 pages).

GAO examined whether implementation of a budgetary cap on mandatory entitlement spending is a practical way to control growth in mandatory programs. Although a cap on mandatory spending for federal entitlement programs would yield savings, a cap would have little, if any, effect on the long-term growth of these programs until the issues of eligibility and benefits, which drive up spending, were addressed.

Impoundments: Delay in Reporting Deferral of Forest Service Budget Authority

GAO/OGC-94-32, July 22 (two pages).

On June 8, the President submitted to Congress his sixth special impoundment message for fiscal year 1994. The message reports two revised deferrals of budget authority affecting the Forest Service, which had been already reported. Although both revised deferrals were reported on June 8, the increased amounts of budget authority reported as deferred had actually been deferred since February 1994. In GAO's opinion, four months constitutes an excessive amount of time to report the revised deferrals under the Impoundment Control Act. The Office of Management and Budget said that the reporting delay was merely an oversight.

Business, Industry, and Consumers

Testimony

Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program, by Jacquelyn Williams-Bridgers, Associate Director for Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-94-278, July 27 (16 pages).

Although the Small Business Administration (SBA) has improved some aspects of its 8(a) business development program, which provides federal contracts to small businesses owned by social and economically disadvantaged persons, SBA is still not in a position to evaluate the

program's overall success in enabling minority business to compete in the commercial marketplace after they leave the program. The value of 8(a) contracts awarded competitively during fiscal year 1992 was higher than the value of contracts awarded during the preceding year, but the distribution of contracts continued to be concentrated among a very small percentage of firms. Also, SBA could not say whether its revised business plans for 8(a) firms were being reviewed annually, as required by law, or whether the firms were meeting the non-8(a) contract goals to reduce the firms' reliance on program contracts. Finally, SBA's failure to properly plan the redesign of the program's management information system continues to hamper the implementation of a system of providing SBA managers with basic 8(a) program information.

Civil Rights

Americans With Disabilities Act: Effects of the Law on Access to Goods and Services

GAO/PEMD-94-14, June 21 (87 pages).

This report looks at the extent to which the Americans With Disabilities Act has improved the access for persons with disabilities to goods and services provided by businesses and state and local governments. Overall, GAO found steady improvement in both accessibility and awareness during the initial 15 months that the act was in effect. However, enough areas of concern remain to suggest a need for continuing educational outreach and technical assistance to business and government agencies covered by the act, as well as continued monitoring by Congress.

Indian Issues: Eastern Indian Land Claims and Their Resolution

GAO/RCED-94-157, June 22 (10 pages).

In late 1992, the Golden Hill Paugussett Indian Tribe filed a lawsuit claiming damages and the right to have large tracts of land in Connecticut restored to the tribe. The lawsuit asserted that land historically belonging to the tribe had been transferred without the congressional approval required by the Indian Nonintercourse Act of 1790. In response to concerns about Congress' responsibilities under the act, the unpredictability of such claims, and the hardships they place on current landowners, this report (1) provides information on land claims made by eastern Indians during the past 20 years, (2) determines how these claims

were resolved, and (3) identifies steps that Congress could take to mitigate the unpredictability and the impact of these claims.

Education

Hispanics' Schooling: Risk Factors for Dropping Out and Barriers to Resuming Education

GAO/PEMD-94-24, July 27 (40 pages).

In 1990, the school dropout rate for Hispanics between the ages of 16 and 24 was high—about 30 percent. The comparable rate for non-Hispanic blacks was 18 percent, and for non-Hispanic whites it was 10 percent. Dropout rates were not uniform by country of origin, ranging from 36 percent for Central Americans and 34 percent for Mexican Americans to 12 percent for South Americans. Dropout rates were much higher for Hispanics not born in the United States (43 percent) than for U.S.-born Hispanics (20 percent). Further, among those born outside the United States, recent arrivals were at greatest risk of dropping out. GAO found that the risk of dropping out of U.S. schools was higher for 16- and 17-year-old Hispanics who fell into one or more of the following categories: not born in the United States, limited in English-speaking ability, from poor families, or either married or mothers. Hispanic dropouts faced the following formidable barriers to completing their education: 40 percent spoke English “not well” or “not at all,” more than half needed three years or more of schooling to finish high school, more than one third had incomes at or below the poverty line, and most had job or family responsibilities.

Employment

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency

GAO/HEHS-94-193, July 11 (71 pages).

A strong internationally competitive economy depends, in part, on effectively preparing workers to compete in the workforce. Over the years, the federal government has invested considerable effort and resources in programs that facilitate entry into the workforce, help workers overcome barriers that impede their ability to compete for jobs, and help dislocated workers reenter the workforce. GAO found that the multitude of existing government-run employment training programs targeting the poor, dislocated workers, older workers, and youth overlapped considerably in

their goals, clients, services, and service delivery mechanisms. These redundancies foster inefficiencies and make it hard to determine the effectiveness of specific programs or the system as a whole. GAO emphasizes that as Congress considers program consolidation, identifying the extent of similarity among programs is only the first step. Determining which programs should be considered for consolidation requires more extensive study and decisions on participant eligibility and the level of services provided by any new program resulting from consolidation.

**JOBS and JTPA:
Tracking Spending, Outcomes, and Program Performance**

GAO/HEHS-94-177, July 15 (20 pages).

This report provides information on the Job Opportunities and Basic Skills Training (JOBS) and Job Training Partnership Act (JTPA) programs, which Congress is considering consolidating. Together, the two programs account for about 60 percent of the federal employment and training funds for the nation's poor. Although JOBS is limited to welfare recipients, JTPA serves other economically disadvantaged persons as well. In examining the interrelationship between the two programs, GAO discusses how funds are spent and reported for education, job training, support services, and program administration. In addition, GAO examines the outcome-focused data that are collected and performance standards for the two programs.

Energy

**Geothermal Energy:
Outlook Limited for Some Uses but Promising for Geothermal
Heat Pumps**

GAO/RCED-94-84, June 3 (80 pages).

Growth in the use of geothermal energy to generate electricity will be modest because most of the known economically viable hydrothermal fields are slowly being depleted from use. Furthermore, the price of electricity being generated from these fields is only marginally competitive with that of electricity derived from other sources. To improve the competitiveness of geothermal power, the Energy Department (DOE) is supporting industry efforts to extend the life of the hydrothermal fields, explore for new resources, and cut drilling costs. Geothermal power production causes fewer, less serious environmental problems than does conventional power production. Geothermal resources suitable for

direct-use heating applications offer an environmentally benign resource alternative; however, their growth potential is poor because of the high risk of drilling and the high cost of installation, the low price of fossil fuels, and the lack of information on geothermal resources located near large cities. Geothermal heat pumps are the most energy-efficient way to heat and cool buildings in most parts of the country. Their wider use could cut energy costs, conserve fossil fuels, and reduce emissions. Their use to date, however, has been limited because consumers, contractors, installers, and utilities are unfamiliar with the technology; installation costs are high; and neither DOE nor industry has actively promoted them.

**Energy Management:
Use of Uncosted Balances to Meet Budget Needs**

GAO/RCED-94-232FS, June 6 (13 pages).

This fact sheet provides information on uncosted obligations held by the Energy Department's (DOE) management and operating contractors. Uncosted obligations are budget authority that DOE has obligated to its contractors for goods and services that have not yet been provided and for which costs have therefore not yet been incurred. At the end of fiscal year 1993, uncosted obligations totaled about \$9 billion for DOE-funded programs. DOE's management and operating contractors held about \$5.7 billion of these uncosted obligations. This report discusses the uncosted balances reported by contractors at nine DOE facilities. GAO identified uncosted balances related to ongoing programs that could be used to offset fiscal year 1995 budget needs. GAO focused on the funds in two areas—environmental restoration and waste management and defense programs. These program areas had the largest uncosted balances—\$1.8 and \$2 billion, respectively—at the end of fiscal year 1993.

**Electromagnetic Fields:
Federal Efforts to Determine Health Effects Are Behind Schedule**

GAO/RCED-94-115, June 21 (54 pages).

Much-needed federal research on the health consequences of exposure to electromagnetic fields emitted from power lines lags behind schedule, and a final report to be delivered to Congress by March 1997 will likely be based on limited information. Most federal power lines are found in rural areas, where the risk of public exposure to electromagnetic fields is lower. Sources other than power lines, such as home appliances and office

equipment, are more common sources of exposure to electromagnetic fields. Lacking conclusive scientific evidence on the health effects of such exposure, states and utilities have responded cautiously to the public's concerns and have taken relatively inexpensive and convenient measures to reduce public exposure, such as restricting public uses of power line rights-of-way. Future actions will be driven largely by the results of scientific research. The Energy Department (DOE) and other agencies have missed milestones for implementing a national research program on electromagnetic fields. DOE officials blame the delay on competing priorities during the 1992-93 presidential transition.

**Uranium Enrichment:
Activities Leading to Establishment of the U.S. Enrichment
Corporation**

GAO/RCED-94-227FS, June 27 (14 pages).

This fact sheet reviews the transition of the Energy Department's uranium enrichment program to a new government corporation—the United States Enrichment Corporation. GAO discusses (1) the transfer of property and other assets to the Corporation, including uranium inventories and accounts receivable; (2) decisions leading to the preparation of the Corporation's financial statements, pursuant to the requirements of the Atomic Energy Act of 1956; (3) the Corporation's contracting practices, including the extent to which the Corporation complied with federal acquisition regulations; and (4) the Corporation's personnel policies, such as salary and staffing requirements.

**Nuclear Health and Safety:
Sites Used for Disposal of Radioactive Waste in Alaska**

GAO/RCED-94-130FS, July 6 (29 pages).

GAO's review of available information on Project Chariot—an experiment conducted in the 1960s by the former Atomic Energy Commission in which radioactive waste was buried in Alaska—suggests that the amount of radioactive material at the site is not harmful to humans. GAO also identified six Army and Air Force installations in Alaska where radioactive materials had either been disposed of or stored on-site. This radioactive material involved such items as water for cooling nuclear power reactors and smoke detectors. In addition, the Naval Arctic Research Laboratory was used by various institutions for research that included the use of

radioactive tracers. Amchitka Island, where underground nuclear tests were done from 1965 to 1971, is being monitored by the Energy Department and the Environmental Protection Agency. The Army Corps of Engineers must still determine whether 138 defense facilities no longer owned by the federal government are contaminated by hazardous or radioactive materials and whether remedial action is required. Sites at five other nonfederal facilities that disposed of or stored radioactive materials were also brought to GAO's attention. These involved (1) storage of pipe contaminated with radioactive material resulting from oil drilling and (2) land and ocean disposal of radioactive waste resulting from university research and aircraft manufacturing.

Testimony

Managing DOE: Tighter Controls Needed Over the Department of Energy's Outside Litigation Costs, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-94-264, July 13 (12 pages).

The Department of Energy (DOE) has spent million of dollars to defend its contractors against lawsuits but has not kept track of total costs and has been lax in reviewing bills submitted by law firms, including those for travel, meals, and other expenses. DOE's only attempt to collect data on litigation costs showed that the agency spent about \$31 million in fiscal year 1992 on outside legal fees. However, significant other costs, such as the development and operation of litigation data bases—averaging more than \$8 million annually—were excluded from DOE's estimate. DOE has yet to establish criteria directing contractors to seek discounted fees or to set limits on billing by law firms for administrative expenses. Also, DOE has not adequately reviewed legal bills to ensure that they are justified. These shortcomings have caused DOE to pay more than was necessary for contractor litigation. The need for strong DOE controls will become more critical as the details of past radiation experiments on humans continue to be disclosed. These revelations will likely produce more lawsuits against the operators of DOE facilities, thus increasing legal costs for the agency.

Environmental Protection

**Environmental Issues in Eastern Europe:
U.S. Efforts to Help Resolve Institutional and Financial Problems**

GAO/RCED-94-41, May 31 (76 pages).

Much of Central and Eastern Europe suffers from severe environmental degradation. The region's problems stem mainly from former communist policies that promoted heavy industry and discouraged conservation by setting the prices of natural resources below market levels. The cost for cleaning up the entire region has been difficult to estimate, but the World Bank projects that providing wastewater treatment to the major facilities in Poland, the Czech Republic, Slovakia, Hungary, and Bulgaria alone would total about \$50 billion. This report (1) describes the region's institutional capacity for addressing environmental problems, (2) describes the uses of U.S. assistance, and (3) identifies problems in developing and implementing the program. GAO focuses on three countries that receive the largest share of U.S. environmental aid: Poland, Hungary, and the Czech Republic.

**Water Pollution:
EPA Needs to Set Priorities for Water Quality Criteria Issues**

GAO/RCED-94-117, June 17 (12 pages).

GAO looked at progress by the Environmental Protection Agency (EPA) in issuing technical information, known as water quality criteria, that states consider in adopting water quality standards and setting pollutant limits in discharge permits. GAO also looked at EPA's efforts to broaden the scope of its criteria development. EPA has issued ambient water quality criteria for 99 of the 126 pollutants designated by the agency as priority under the Clean Water Act. Although such criteria are still needed for some of these priority pollutants, EPA plans to develop other types of criteria necessary for protecting water ecosystems. However, EPA's limited resources will restrict what can be accomplished; consequently, setting priorities will be a crucial step in dealing with the significantly expanded scope of the agency's efforts to develop criteria.

Testimony

Toxic Substances Control Act: Preliminary Observations on Legislative Changes to Make TSCA More Effective, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on Toxic Substances, Research and Development, Senate Committee on Environment and Public Works. GAO/T-RCED-94-263, July 13 (19 pages).

The Toxic Substances Control Act's legal standards for taking regulatory action are so high that the Environmental Protection Agency (EPA) has been discouraged from regulating chemicals and has given implementation

of the act a low priority. Furthermore, EPA has interpreted that act so that it gives preferences to using other health and environmental laws that do not have the full ranges of controls offered by the act. Moreover, gaps often exist in the data needed to assess chemicals' risks, and obtaining the needed data places a heavy burden on EPA. Industry claims that most of the data collected are confidential, limiting its dissemination and usefulness to federal and state organizations with health and safety responsibilities. This testimony focuses on legislative changes to improve EPA's implementation of the act.

Superfund: Reauthorization and Prioritization Issues, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on Water Resources and Environment, House Committee on Public Works and Transportation. GAO/T-RCED-94-274, July 20 (12 pages).

GAO was asked to provide views on a bill to reauthorize Superfund, the federal program that finances the cleanup of hazardous waste sites. Debate over the bill comes at a time when cost estimates to clean up the nation's hazardous waste problem are growing at an alarming rate. Meanwhile, the national priorities list of the most severely contaminated properties now contains more than 1,300 sites, and expenditures are mounting. In GAO's view, the pending legislation to reauthorize Superfund provides significant improvements over existing law, but additional opportunities exist to make the most efficient use of tax dollars.

Financial Institutions

Resolution Trust Corporation: Interim Report on the Management Reforms in the RTC Completion Act

GAO/GGD-94-114, June 30 (45 pages).

Although the Resolution Trust Corporation (RTC) has begun implementing each of the 21 management reforms mandated by the RTC Completion Act, more work remains on most of the reforms. RTC has completed action on two reforms that involved hiring persons to serve as the Chief Financial Officer and the Vice President for Minority and Women's Programs. Also, the Department of Minority and Women's Programs was designated a division and the Vice President heading it was appointed to the RTC Executive Committee. The nature of three reforms required RTC to monitor their implementation to ensure full compliance. These reforms include maintaining the comprehensive business plan, assessing the effectiveness

of RTC's internal controls, and ensuring that vacancies in senior positions are filled promptly. Work is under way to implement the remaining 16 reforms, including the establishment of an audit committee by the Thrift Depositor Protection Oversight Board. Progress on these reforms, however, varies considerably. Actions in progress include drafting an interim final rule of asset disposition methods and a final rule of minority- and women-owned business contracting procedures; revising and issuing procedures, policies, manuals, and directives for contracting and asset disposition activities; and increasing efforts to implement audit recommendations and correct internal control weaknesses.

**Resolution Trust Corporation:
Better Analyses Needed Before Terminating Asset
Management Contracts**

GAO/GGD-94-147, July 8 (20 pages).

The Resolution Trust Corporation (RTC) hired private sector contractors under Standard Asset Management and Disposition Agreements (SAMDA) to manage and dispose of assets from failed financial institutions; as of October 1993, nearly \$24 billion in assets were being handled under nearly 300 SAMDA contracts. In April 1993, SAMDA established the Accelerated Expiration Program to cut its administrative expenses by terminating SAMDA contracts before their original expiration date. RTC's procedures for the program, however, did not ensure that RTC made cost effective decisions that were in its best interests. Although the program requires a written justification that accelerated expiration of a contract was in RTC's best interests, RTC had not estimated program costs or benefits. Although program procedures include final contract reviews by independent auditors to determine whether the SAMDA contractors met their obligations, these reviews have been hindered because the SAMDA contractors did not have adequate records and some of the costs charged to RTC were based on unofficial contract interpretations made by local RTC oversight managers. In addition, few of the recommendations from the final reports were implemented because RTC officials believed that RTC's many contract interpretations made strict adherence to the recommendations impractical. RTC can remove the barrier to completion of the independent auditors' final reviews by requesting that its SAMDA oversight managers work with contractors to ensure that their record keeping complies with contract requirements before the independent auditors conduct their final reviews.

Testimony

GSES: Implications of Removing State and Local Tax Exemption, by Thomas J. McCool, Associate Director for Financial Institutions and Markets Issues, before the House Committee on the District of Columbia. GAO/T-GGD-94-182, July 14 (nine pages).

Except for real property taxes, government-sponsored enterprises are exempt from state and local taxes. Removing the exemption from local income taxation in the District of Columbia would reduce federal corporate tax revenues. Unlike an increase in direct spending or federal tax expenditures, no requirement exists to make up such a revenue loss. If the exemption were not removed, equivalent revenue could be raised from some other tax with similar effects on federal receipts. Because this latter tax increase would have no budget implications, neither would removing the exemption. If the exemption were removed for the District alone, the main effect would be on Fannie Mae. Because of its competition with Freddie Mac, Fannie Mae would have an incentive to reduce its tax bill by shifting activity out of the District. The tax bill it would pay would come from two primary sources: customers and shareholders. To the extent that it could, Fannie Mae would try to pass the tax on to financial institutions and the final borrowers. If Fannie Mae could not pass on these higher costs to borrowers, it would be forced to cut dividends to shareholders and the price of Fannie Mae stock might drop.

Financial Management

Single Audit: Refinements Can Improve Usefulness

GAO/AIMD-94-133, June 21 (72 pages)

In 1984, to deal with concern about a lack of accountability in federal financial aid provided to states and local entities, Congress passed the Single Audit Act to promote uniform, entitywide audit coverage of federal assistance. According to state and local government officials interviewed by GAO, the single audit process has strengthened financial management practices. State and local officials have installed new accounting systems, begun having annual comprehensive financial statement audits, adopted or accelerated the adoption of generally accepted accounting principles, improved systems for tracking federal funds, strengthened administrative controls, and increased oversight. Despite these improvements, a number of issues have created concerns and hinder the usefulness of single audit reports. GAO recommends changing the criteria for selecting which entities and programs should be subject to single audit; revising the form, the

content, and the publication of single audit reports; and improving access to results of single audits by oversight officials and program managers.

**Financial Management:
Federal Deposit Insurance Corporation's 1993 and 1992
Financial Statements**

GAO/AIMD-94-135, June 24 (120 pages).

This report presents GAO's opinions on the financial statements of the Bank Insurance Fund, the Savings Association Insurance Fund, and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund for the years ended December 31, 1993, and 1992. These financial statements are the responsibility of the Federal Deposit Insurance Corporation (FDIC), the administrator of the three funds. GAO found the financial statements, taken as a whole, were fairly stated as of December 31, 1993. The report also presents GAO's opinion on FDIC's system of internal controls as of December 31, 1993. FDIC has made significant progress in addressing the internal control weaknesses identified in 1992. However, a material weakness existed as of December 31, 1993, in FDIC's controls over its process for valuing assets of failed institutions. The report also discusses GAO's evaluation of FDIC's compliance with laws and regulations during 1993.

**Financial Audit:
Resolution Trust Corporation's 1993 and 1992
Financial Statements**

GAO/AIMD-94-148, June 27 (52 pages).

This report presents the results of GAO's audits of the Resolution Trust Corporation's (RTC) financial statements for 1993 and 1992, GAO's opinion on internal controls, and GAO's evaluation of compliance with laws and regulations. This report also discusses (1) the significant progress made by RTC in addressing internal control weaknesses GAO identified in its audit of RTC's 1992 financial statements; (2) new internal control weaknesses GAO identified and GAO's recommendations to correct them; (3) issues affecting estimated recoveries from failed thrifts, including uncertainties and operating controls; and (4) the estimated unused loss funds remaining after RTC's completion of all resolution activities.

**Financial Audit:
Congressional Award Foundation's Financial Statements for 1992,
1991, and 1990**

GAO/AIMD-94-87, July 14 (13 pages).

GAO audited the Congressional Award Foundation's financial statements for 1992, 1991, and 1990. The Foundation was established to promote achievement among youth in public service, personal development, physical fitness, and expedition. GAO found that the financial statements were reliable in all material respects; that internal controls ensured material compliance with laws and regulations, but were ineffective as of December 31, 1992, in ensuring that no material misstatements were in the financial statements and in safeguarding assets; and that there was no material noncompliance with laws and regulations. GAO's last report (GAO/AIMD-92-80) noted that the Foundation's ability to overcome lingering internal control problems depended on its ability to hire or gain access to more staff with financial management expertise. The Foundation later secured the pro bono service of a major accounting firm to help with financial management. The accounting firm's work began in January 1993, after the end of the period covered by the financial statements. These weaknesses in internal controls may adversely affect any decision by management that is based on information that may be inaccurate because of the weaknesses. Unaudited information reported by the Foundation, including budget information, also may contain misstatements resulting from these weaknesses.

**Credit Reform:
Case-by-Case Assessment Advisable in Evaluating Coverage
and Compliance**

GAO/AIMD-94-57, July 28 (24 pages).

This report evaluates several highly technical issues related to implementation of the Federal Credit Reform Act of 1990. GAO discusses (1) whether the budgetary treatment of the Government National Mortgage Association conformed to credit reform requirements; (2) whether the cost of programs that reduce the credit subsidy rate should be considered in determining total credit subsidy costs and, if so, whether the cost of the rental assistance provided to participants in the Farmers Home Administration's section 515 direct loan program should be added to the cost of the credit program; and (3) whether the 1990 act's

exclusion of the credit activities of the Resolution Trust Corporation and the Federal Deposit Insurance Corporation from its requirements was appropriate.

Testimony

Financial Management: Status of CFO Act Implementation at the Department of the Treasury, by Gregory M. Holloway, Director of Civil Audits, before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations. GAO/T-AIMD-94-157, July 13 (22 pages).

The financial statement audits at the Treasury Department done in accordance with the Chief Financial Officers Act (CFO) of 1990 have identified serious problems with financial management systems and related internal controls at several of the Department's bureaus. The Treasury Department has forthrightly acknowledged these serious problems and has placed strong leadership in key financial management jobs. These persons have shown commitment to the act and are trying to fix many of Treasury's long-standing problems. Although implementing its improvements will be a long-term endeavor, Treasury should continue to take steps to enhance the CFO structure and ensure that financial management staff are adequately trained. The five areas of the act that this testimony discusses are CFO qualifications, CFO structure, training of financial management staff, financial management systems, and audited financial statements.

Financial Audits: CFO Implementation at IRS and Customs, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Programs, before the Senate Committee on Governmental Affairs. GAO/T-AIMD-94-164, July 28 (16 pages).

This testimony assesses the progress of the Internal Revenue Service (IRS) and the Customs Service in complying with the financial reporting and other requirements of the Chief Financial Officers Act of 1990. GAO discusses the results of its attempt to audit IRS' and Customs' fiscal year 1993 financial statements, the short-term actions IRS and Customs need to take to continue their progress in resolving serious financial management problems, and IRS' and Customs' efforts to establish the financial management organizations and systems called for by the act.

Government Operations

U.S. Postal Service: Proposed Policy to Accept Credit and Debit Cards Makes Sense Conceptually

GAO/GGD-94-154, June 16 (12 pages).

The Postal Service's decision to accept credit and debit cards at post offices across the country makes sense because of the (1) potential convenience to postal customers; (2) potential cash management benefits to the Postal Service; and (3) acceptance of these cards by government agencies and businesses, particularly by Postal Service competitors. Before the Service can implement such a policy nationwide, however, several issues must be resolved, such as whether to accept cards only at larger post offices and whether to accept them at both windows and vending machines. The Service is now pilot-testing card use at post office windows in Florida; Texas; Washington, D.C., and its Maryland and Virginia suburbs; and vending machines in California post offices. The results of the test, scheduled to end by late 1994, will be needed before the Service makes any recommendation on nationwide card acceptance. Service officials say that they do not intend to expand card acceptance beyond current locations until this decision is made.

Peer Review: Reforms Needed to Ensure Fairness in Federal Agency Grant Selection

GAO/PEMD-94-1, June 24 (133 pages).

Federal agencies throughout the government use peer review to evaluate research and other projects proposed for federal funding. Although peer review in principle has broad support, a long history of controversy has accompanied how it is practiced. The most contentious debates have centered on whether existing systems provide fair, impartial review of proposals. GAO examined grant selection in three federal agencies that use peer review: the National Institutes of Health, the National Science Foundation, and the National Endowment for the Humanities. This report focuses on the extent to which fairness problems occurred in three areas—the selection of peer reviewers, the scoring of proposals by reviewers, and agencies' final funding decisions.

**Committee on Governmental Affairs:
Alleged Senate Compromise of NASA Complainant's Identity**

GAO/OSI-94-30, July 1 (15 pages).

GAO was asked by the Chairman of the Senate Committee on Governmental Affairs to inquire into the alleged unauthorized disclosure of nonclassified Committee-sensitive information to determine if the Chairman or a member of his staff had compromised the identity of a NASA employee after the employee reported to the Committee allegations of wrongdoing by her employer, the NASA Office of Inspector General. The NASA employee refused to cooperate with the GAO investigation, limiting GAO in its ability to develop facts relating to the allegation. This limitation, in addition to unresolved conflicting testimony obtained during the investigation, made it difficult to reach a definitive conclusion. However, GAO's investigation found no credible evidence to support the allegation of the NASA employee regarding unauthorized disclosure of information.

**District of Columbia:
Breakdown of Revenue Derived From the Federal Government and Other Sources**

GAO/AIMD-94-139, July 11 (15 pages).

In the opinion of an independent certified public accountant, the District of Columbia's breakdown of revenue from federal and other sources for fiscal year 1993 is fairly presented in all material respects in accordance with generally accepted accounting principles. GAO found no material discrepancies that would suggest that the auditor's opinion was inappropriate or unreliable. In February 1994, the Mayor of the District of Columbia sent GAO a letter presenting total revenues for fiscal year 1993 of \$2,929,117,000, which would be used to calculate the federal payment for fiscal year 1994. If congressional directives for calculating the revenues had been followed, however, revenues of \$2,797,801,000 would have been reported. During fiscal year 1993, the District changed the legal definition of the real property tax year. This and related changes resulted in counting \$172,863,000 in taxes collected as an increase to fiscal year 1993 revenue, but did not generate any additional cash during fiscal year 1992. As a result of these changes, the fiscal year 1995 payment may be increased by about \$41 million under the payment formula.

Testimony

Financial Status: District of Columbia Finances, by John W. Hill, Jr., Director of Audit Support and Analysis, before the House Committee on the District of Columbia. GAO/T-AIMD-94-158, July 14 (21 pages).

The District of Columbia, faced with unresolved long-term financial issues and short-term financial crises, will run short of cash by the end of fiscal year 1995 unless steps are taken to compensate for revenue shortfalls, which could force the city to borrow from the U.S. Treasury. This testimony discusses GAO's recent review of the District's finances; the calculation of the authorized federal payment to the District for fiscal year 1995; and H.R. 2902, which would amend the District's Home Rule Act.

Bureau of the Census: Legislative Proposal to Share Address List Data Has Benefits and Risks, by William M. Hunt, Director of Federal Management Issues, before the Subcommittee on Census, Statistics, and Postal Personnel, House Committee on Post Office and Civil Service. GAO/T-GGD-94-184, July 21 (17 pages).

A legislative proposal from the Department of Commerce would allow the Census Bureau to share address lists with the U.S. Postal Service, other federal agencies, and local governments. This proposal offers opportunities for the Bureau to improve its address lists, but it also raises privacy and confidentiality concerns about the use of census data. GAO supports the general concept of data sharing among federal agencies for statistical purposes, as is now being considered by the Office of Management and Budget. GAO also supports initiatives to facilitate the sharing of address lists between the Postal Service and the Bureau. However, the Commerce Department has not sufficiently justified its request for authority to share the Bureau's address list data with agencies other than the Postal Service.

Health

Indian Health Service: Efforts to Recruit Health Care Professionals

GAO/HEHS-94-180FS, July 7 (31 pages).

Indian Health Service (IHS) salary schedules for health care professionals are set on a national basis. Thus, the base pay these persons receive does not differ among IHS regions or areas. However, bonuses and allowances may be paid to doctors who agree to work in hard-to-fill locations, such as the Aberdeen Area. In many IHS areas, health care delivery has been

hampered by problems in recruiting and retaining health care professionals, particularly doctors. The recruitment and the retention of physicians in the Aberdeen Area has been affected by the relatively low pay; inadequate housing for medical personnel on the reservations; the remoteness of the reservations; cultural differences between the doctors and their patients; and a general lack of amenities, such as shopping and dining facilities. IHS' Aberdeen Area has a higher vacancy rate for physicians than all but one other IHS areas. The vacancy rate has been particularly high, more than 31 percent, at the Pine Ridge hospital. IHS is now looking at the benefits of using a physician pay structure similar to that used by the Department of Veterans Affairs.

**Health Professions Education:
Role of Title VII/VIII Programs in Improving Access to Care
Is Unclear**

GAO/HEHS-94-164, July 8 (48 pages).

During the past decade, the supply of nearly all health professional has increased faster than has the population. For most health professions, however, data are unavailable to show whether this increased supply has translated into more access to care in rural and underserved areas. For the two professions with the most data available—primary care physicians and general dentists—supply has increased in many rural areas but not in those urban and rural areas with the greatest shortages. GAO's findings are similar for minority recruitment. Although the number of minorities in the health professions is increasing, data are inconclusive about whether further increases will improve access to health care for underserved populations. Although nearly \$2 billion has been provided to 30 Title VII and VIII programs during the last 10 years, evaluations have not shown that these programs have significantly changed the supply, distribution, and minority representation of health professionals.

**Universal Health Care:
Effects on Military Systems in Other Countries and the
United States**

GAO/HEHS-94-182BR, July 11 (16 pages).

In the congressional debate over health care reform, questions have arisen about how countries with universal health care provide coverage to their active duty military personnel. This briefing report discusses (1) the major

similarities and differences between the U.S. military health care system and the systems of Australia, Canada, Finland, and the United Kingdom; (2) how eligibility for military health care in the four countries compares with that in the United States; (3) whether universal health care in these countries affected demand for military health care; and (4) how proposed universal health care legislation, including the President's Health Security Act, could affect demand for services from the U.S. military health care system.

**Health Security Act:
Analysis of Veterans' Health Care Provisions**

GAO/HEHS-94-205FS, July 15 (67 pages).

Reform of the nation's health care system to reduce the number of Americans who lack coverage of basic acute health care services could significantly reduce demand for such services in facilities administered by the Department of Veterans Affairs. GAO reported in 1992 that if changes were not made in the VA health care system as part of health reform, VA hospitals could lose about 50 percent of their acute hospital workload and 44 percent of their outpatient workload. To assist the congressional Veterans' Affairs Committees, which will be considering legislation to fundamentally reform the VA health care system and veterans' health benefits, GAO prepared this fact sheet, which analyzes the veterans affairs provisions of the administration's proposed Health Security Act.

**Vaccines for Children:
Critical Issues in Design and Implementation**

GAO/PEMD-94-28, July 18 (22 pages).

The Vaccines for Children program was authorized by Congress in 1993 to increase immunization rates through free vaccinations. Plans by the Centers for Disease Control (CDC) to implement the program by October 1, as required by law, appear to be lagging behind schedule. With little margin for error, the program may not be up and running on time. GAO examined CDC's implementation plans and concluded that the time line is very ambitious. Several tasks integral to full implementation of the program are experiencing delays, including awarding contracts to vaccine manufacturers, developing plans for provider enrollment, and designing a vaccine distribution service to ensure that the vaccine will not lose potency during shipment. Other components of the plan may need

revision; for example, a proposed administration fee schedule may impose a financial burden on some program recipients, a consequence inconsistent with the program's stated goal of removing cost as a barrier to immunization. GAO also expressed concern that CDC had not yet developed plans for evaluating the program; without evaluation steps, it will be difficult to measure the impact of the program on immunization rates. GAO summarized this report in testimony before Congress; see:

Vaccines for Children: Major Implementation Hurdles Remain, by Kwai-Cheung Chan, Director of Program Evaluation in Physical Systems Areas, before the Subcommittee on Labor, Health, Human Services, and Education, Senate Committee on Appropriations. GAO/T-PEMD-94-29, July 21 (12 pages).

**Medicare:
Technology Assessment and Medical Coverage Decisions**

GAO/HEHS-94-195FS, July 20 (17 pages).

Thousands of medical procedures, devices, and drugs are available for patient care in this country. Each year, public and private health care insurers make coverage decisions for these medical technologies. To make these decisions, insurers increasingly rely on formal technology assessments, which evaluate a technology's safety and effectiveness. In this fact sheet, GAO provides general information about the technology assessment resources and activities of the Public Health Service's Agency for Health Care Policy and Research, the resources and processes of the Health Care Financing Administration (HCFA) for making Medicare coverage decisions, and HCFA's process for making hospital payments that account for the use of new technologies.

**Early Retiree Health:
Health Security Act Would Shift Billions in Costs to
Federal Government**

GAO/HEHS-94-203FS, July 21 (18 pages).

The President's proposed Health Security Act would relieve private industry of much of the financial burden of providing health insurance to early retirees. This would shift billions of dollars in costs each year to the federal government. Today, about 9 million private sector retirees and one-third of all private sector workers are in company health plans with

coverage for health care between retirement and age 65—when Medicare kicks in. If the Health Security Act is enacted, the federal government, beginning in 1998, would not only pick up the tab for early retirees' share of their health costs but would also pay the major portion of company costs. The federal government's share would be \$6 billion in the first year, growing to nearly three times that amount 3 years later. At the same time, companies would save \$11 billion in the first three years and would ultimately save more than \$130 billion after 10 years.

Testimony

Prescription Drugs: Prices and Regulation in Canada and Europe, by Sarah F. Jaggard, Director of Health Financing and Policy Issues, before the Senate Committee on Governmental Affairs. GAO/T-HEHS-94-213, July 27 (12 pages).

GAO compared U.S. prescription drug prices with the prices of identical drugs in Canada and the United Kingdom. GAO also reviewed the policies that Canada, France, Germany, Sweden, and the United Kingdom have adopted to limit national expenditures on prescription drugs. Although government regulation has restrained drug prices in these five countries, the implications—and the desirability—of similar intervention in the U.S. pharmaceutical market are unclear. More specifically, the effects of a price reduction in any of these countries may differ from the effects of a similar price cut in the United States because each of the five countries represents a relatively smaller share of the global pharmaceutical market. In addition, the particular price and spending control policies used in these countries may not be readily transferred to the United States because of institutional differences across countries. In any case, any gains from regulation of drug prices or spending must be weighed against the consequences of such regulations for pharmaceutical research and development.

Housing

Rental Housing: Distribution and Use of FmHA's Rural Rental Housing Program Funds

GAO/RCED-94-141, June 1 (28 pages).

The Housing Act of 1949 created the Rural Rental Housing Program to provide affordable housing for lower-income households. With annual appropriations of about \$574 million for fiscal years 1992 and 1993, the program provides low-interest loans to borrowers to build and rehabilitate

affordable housing projects in rural areas. This report discusses the (1) Farmers Home Administration's (FmHA) procedures for allocating funds to states and selecting projects within states and whether these procedures have caused project concentration in a relatively small number of states; (2) extent to which FmHA's allocation and project award procedures reflect actual housing needs; (3) extent to which states have used program funds, including the amount of unused funds that have been reallocated to other states; and (4) size and status of the rural rental housing portfolio as of September 30, 1992.

**Lead-Based Paint Hazards:
Abatement Standards Are Needed to Ensure Availability
of Insurance**

GAO/RCED-94-231, July 15 (20 pages).

Millions of property owners face significant financial risks because liability insurance for lead hazards is becoming increasingly difficult to obtain. A number of owners and their insurers have already made payments—some amounting to millions of dollars—to the families of lead-poisoned children. To avoid the growing number of claims, property owners can attempt to remove lead hazards—which can be costly—but no nationally accepted methods or standards for such abatement exist. Consequently, owners cannot be sure that their abatement efforts will reduce their liability and insurance companies are reluctant to insure against unpredictable claims for damages resulting from lead hazards. Thus, until the Environmental Protection Agency establishes reasonable standards for the inspection and the abatement of lead hazards in privately owned property, little progress will be made toward providing insurance for property owners or abatement contractors.

Testimony

Federally Assisted Housing: Condition of Some Properties Receiving Section 8 Project-Based Assistance Is Below Housing Quality Standards, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations. GAO/T-RCED-94-273, July 26 (45 pages).

Physical conditions in the Section 8 assisted properties GAO visited ranged from very good to very poor. The properties in good physical condition showed that the Section 8 program could work. Conditions in some

properties, however, clearly violated the Department of Housing and Urban Development's (HUD) housing quality standards. In the distressed properties, families lived in units with leaking toilets and sinks, exposed electrical wiring, holes in walls and ceilings, broken air conditioners and smoke detectors, damaged and missing kitchen cabinets, and roach and rat infestation. Moreover, the landlords for some of these distressed properties collected rents that were higher than those for well-maintained apartments nearby. Although HUD has various enforcement tools to ensure that properties comply with its housing quality standards, including barring or suspending landlords from further participation in Section 8 programs and terminating housing assistance contracts, HUD has used these tools sparingly and inconsistently.

Income Security

Testimony

Child Support Enforcement: Federal Efforts Have Not Kept Pace With Expanding Program, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs. GAO/T-HEHS-94-209, July 20 (10 pages).

Nonpayment of child support by noncustodial parents has contributed to sharp increases in both childhood poverty rates and the number of families receiving Aid to Families With Dependent Children (AFDC) benefits. To help children and families avoid poverty and welfare dependence, Congress created in 1975 the child support enforcement program as a federal-state partnership, with the federal government's Office of Child Support Enforcement (OCSE) providing leadership, technical assistance, standards, and oversight to state programs that collect the child support. The program's mission has expanded in the last 10 years, with 1984 amendments requiring that state and local efforts serve AFDC and non-AFDC families equally, and the 1988 Family Support Act setting standards for paternity establishment and additional requirements to ensure fairness and currency of support awards. For a variety of reasons, the partnership has so far yielded poor results; in 1992, only 19 percent of about 15 million children and families depending on the program received full or partial child support. Factors that account for this performance include budget cuts, reorganization, the lack of a strategic vision, inadequate communication, and flawed program data that combine

to hamper OCSE's capacity. Also, federal audits, which consume more than half of OCSE's resources, provide limited insight into the performance of state programs. Welfare reform, as outlined in several legislative proposals, would add to OCSE's responsibilities by further expanding program services. GAO outlines ways to strengthen program management, oversight, communication, and monitoring.

Information Management

Welfare to Work: JOBS Automated Systems Do Not Focus on Program's Employment Objectives

GAO/AIMD-94-44, June 8 (23 pages).

The Job Opportunities and Basic Skills (JOBS) training program is intended to help people avoid long-term welfare dependence by providing the education, the training, the work experiences, and the services needed to obtain jobs. Although additional effort will be needed by the Department of Health and Human Services (HHS) and the states to correct lingering data problems and incorporate further automation, the states have made progress in developing computer systems to support the JOBS program. These systems, however, are narrowly focused on tracking program participants and collecting and reporting data to HHS, missing the greater opportunity that the systems could offer. Despite the millions of dollars in welfare costs that could be saved by moving people off welfare and into jobs, HHS failed to determine how information technology could best be applied to help achieve this objective.

Child Welfare: HHS Begins to Assume Leadership to Implement National and State Systems

GAO/AIMD-94-37, June 8 (44 pages).

The Department of Health and Human Services (HHS) took more than seven years—five years past the legislative deadline—to issue final regulations for the nationwide adoption and foster care data collection system, and states will not be required to begin sending data for the system until mid-1995. Without a nationwide system, federal and state policymakers have not had the demographic and other information they need to establish adoption and foster care policies. States developing child welfare information systems have also not known what data they should

design their systems to collect to meet reporting requirements for the nationwide system. In addition, although states have been receiving federal financial assistance to develop automated child welfare information systems, they have not, until recently, received adequate guidance from HHS on the capabilities the systems should have. HHS has started to address many of these issues. It has issued final regulations for the nationwide system, issued functional requirements for states' child welfare information, worked with states to develop a draft system model for other states to follow when developing their systems, and hired a contractor to help states develop their systems.

**Medical ADP Systems:
Defense's Tools and Methodology for Managing CHCS Performance
Need Strengthening**

GAO/AIMD-94-61, July 15 (44 pages).

The Composite Health Care System (CHCS), an automated medical information system being developed by the Defense Department (DOD), is intended to be the backbone of the military's worldwide medical operations. It is designed to provide medical personnel with instant access to patient information, from medical history to current treatments or vital statistics. As such, the system's performance and response times will be critical. DOD, however, is placing the system's performance at risk because it has not provided adequate performance measurement and analysis tools or corrected weaknesses in its performance management methodology. Without appropriate performance measurement and analysis tools, DOD cannot diagnose causes of response-time problems or project how workload growth and configuration upgrades will affect system response times. Moreover, DOD's decision not to focus on routine analysis and elimination of extremely long response times can discourage system use. The lack of reliable methodology to plan for reserve capacity has also led to the unnecessary purchase of excess computer processing power. Unless these problems are corrected, DOD risks continuing to replicate and proliferate system performance problems and adding to the costs of deploying the system.

Testimony

IRS Automation: Controlling Electronic Filing Fraud and Improper Access to Taxpayer Data, by James F. Hinchman, Special Assistant to the Comptroller General, before the Senate Committee on Governmental Affairs. GAO/T-AIMD/GGD-94-183, July 19 (eight pages).

Electronic filing reveals the potential benefits of a paperless tax filing system. Although GAO supports the need to modernize IRS and the movement toward electronic filing, it is concerned about the growing instances of electronic filing fraud. IRS has not yet shown how an electronic tax-filing system can be adequately safeguarded against fraud. GAO also remains concerned about inadequate control of unauthorized access by IRS employees to taxpayer records. Control over access to these records cannot be left to implementation of the IRS' Tax Systems Modernization program—which is several years away—but requires prompt and effective implementation of security improvements.

International Affairs

The General Agreement on Tariffs and Trade: Uruguay Round Final Act Should Produce Overall U.S. Economic Gains

GAO/GGD-94-83a and GAO/GGD-94-83b, July 29 (21 pages and 204 pages).

The Final Act resulting from the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade was signed on April 15, 1994. Because Congress will be considering legislation to implement the Final Act for the United States, GAO reviewed the negotiating objectives for the round, assessed what had been accomplished, and analyzed the projected impact the Final Act would have in a number of areas. The first volume presents GAO's overall analysis and conclusions about the results of the negotiations. The second volume is a reference document that (1) discusses the original trading problems that led to the Uruguay Round negotiations; (2) identifies specific U.S. negotiating objectives; (3) presents the results of negotiations as provisions of the final agreement; (4) analyzes the likely impact of the agreement, including whether it resolves the original trading problems; and (5) discusses issues that remain in contention and those that require further study. In GAO's view, the Final Act could produce overall economic gains for the United States, although some sectors of the U.S. economy would suffer from increased foreign competition. For example, four different studies have projected job losses, ranging from 72,000 to 255,000 over 10 years, for the textile and apparel industries under complete trade liberalization. Because the Final Act is expected to dislocate workers, their needs must be considered. Both deficit reduction and liberalized trade are important to the long-term health of the U.S. economy. Finding offsets to the five-year tariff revenue losses as required by the Budget Enforcement Act would preserve the overall economic gains of the Final Act and maintain deficit neutrality.

**General Agreement on Tariffs and Trade:
Agriculture Department's Projected Benefits Are Subject to
Some Uncertainty**

GAO/GGD/RCED-94-272, July 22 (24 pages).

Congress is considering legislation to implement the Final Act of the Uruguay Round negotiations. One important issue is the likely impact of the Final Act on U.S. agriculture. In March 1994, the U.S. Department of Agriculture (USDA) issued a report projecting that the Final Act would boost world agricultural trade and benefit U.S. agricultural exports, employment, and farm income. GAO concludes that USDA used a reasonable analytical framework in estimating the Final Act's effect on U.S. agriculture. However, the assumptions it used in forecasting future benefits—specifically the growth in world income, the way in which countries would change their agricultural policies to implement the Final Act, and the responses of producers to changing agricultural policies—are subject to substantial uncertainty. Because events could unfold differently than the assumptions in USDA's analysis, the anticipated benefits to U.S. agriculture should be interpreted with caution.

**Intellectual Property Rights:
U.S. Trade Representative Investigations of Foreign
Country Practices**

GAO/GGD-94-168FS, July 7 (11 pages).

This fact sheet provides information on investigations by the U.S. Trade Representative under section 301 of the 1974 Trade Act concerning foreign countries' protection of intellectual property rights. The three main forms of intellectual property protection in worldwide use are patents, copyrights, and trademarks. GAO discusses (1) the countries that the U.S. Trade Representative has identified since 1989 as having inadequate intellectual property protection and (2) the number of section 301 cases that were initiated by the U.S. Trade Representative since the passage of the 1974 Trade Act, in response to U.S. industry petitions regarding foreign countries' inadequate protection of intellectual property rights.

Justice and Law Enforcement

Department of Justice: Use of FBI Aircraft by Department of Justice Officials

GAO/GGD-94-53FS, July 6 (30 pages).

GAO updated certain information in its 1990 report, Government Civilian Aircraft: Use of Government Aircraft by the Attorney General and FBI Director (GAO/GGD-90-84), documenting dates of travel, types of aircraft used, itinerary, and passengers for each trip taken on FBI aircraft by Justice Department officials in fiscal years 1990-93 and during the first quarter of fiscal year 1994. Travel decreased sharply from 96 trips in 1990 to 31 trips in 1993. Only three trips were taken during the first quarter of 1994. Of the 301 trips taken during the entire period, 128 were for travel by the Attorneys General and 115 were for travel by FBI Directors.

Bankruptcy Administration: Case Receipts Paid to Creditors and Professionals

GAO/GGD-94-173, July 13 (49 pages).

Businesses or individuals who file for Chapter 7 bankruptcy surrender their nonexempt assets to a trustee, who converts them to cash for distribution to creditors. Congress is considering changes in the bankruptcy system that would increase compensation to trustees. Many trustees have said that they are inadequately compensated under the current fee system. This report provides information on the total amount and distribution of bankruptcy estate receipts in cases terminated under Chapter 7 of the bankruptcy code in statistical years 1991 and 1992. GAO discusses the amount of total receipts paid to professionals, including trustees, attorneys, accountants, and appraisers; to creditors; and to others, such as debtors.

Juvenile Justice: Admission of Minors with Preadult Disorders to Private Psychiatric Hospitals

GAO/GGD-94-167FS, July 26 (36 pages).

As part of the reauthorization of the Juvenile Justice and Delinquency Prevention Act of 1974, GAO was required to study admissions of minors with preadult disorders—problems that are generally associated with minors, such as conduct or attention deficit disorders—to private

psychiatric hospitals. This fact sheet provides data on (1) the frequency with which minors with preadult disorders have been admitted to private psychiatric hospitals; (2) the average lengths of stay and methods of payment; (3) the statutory procedural protection afforded such persons in selected states; and (4) the conditions of confinement, such as services provided, sleeping arrangements, and visitation policies, at selected hospitals.

National Defense

Military Airlift: Comparison of C-5 and C-17 Airfield Capability

GAO/NSIAD-94-225, July 11 (14 pages).

The Air Force has greatly overestimated the number of airfields worldwide that can accommodate the wide-bodied, C-17 cargo plane; when runway strength is considered, the C-17's wartime advantage over its C-5 predecessor shrinks from 6,400 to about 900 airfields. The C-17 advantage dwindles even further when only airfields that have been determined by the Air Force to be suitable for military operations are considered. So far, the Air Force has surveyed about 2,800 airfields as suitable for military operations. When wartime landing requirements, including minimum runway strength, are considered, the C-17's wartime advantage is 145 airfields. When airfields in the United States, Canada, and Mexico are excluded, the C-17's wartime advantage falls to 95 airfields. Although the Air Force claims that the C-17's ability to land at small, austere airfields during wartime is a significant military advantage, the Defense Department has identified only three such airfields that the C-17 could use in major regional contingency scenarios; two are in Korea and one is in Saudi Arabia.

Airlift Requirements: Commercial Freighters Can Help Meet Requirements at Greatly Reduced Cost

GAO/NSIAD-94-209, July 11 (15 pages).

This report (1) examines some of the assumptions underlying a cost and operational effectiveness analysis of the C-17 air transport program conducted by the Institute for Defense Analysis (IDA) and (2) discusses ongoing Defense Department studies to determine the minimum number of C-17s needed to perform unique military missions. IDA concluded that a

fleet of 120 C-17s was the preferred choice, despite the fact that it was more expensive than a mixed fleet of C-17s and modified commercial freighters. GAO found that IDA's conclusion that the C-17 was the preferred air transport was based on questionable assumptions and believes that Congress should not consider this analysis as a basis for authorizing 120 C-17s. The minimum number of C-17s needed to fulfill military requirements has yet to be determined.

**Peace Operations:
Withdrawal of U.S. Troops From Somalia**

GAO/NSIAD-94-175, June 9 (11 pages).

As of April 1994, about 90 U.S. government personnel remained in Somalia, about 70 of them military personnel. The military mission is limited to providing security and assistance to the U.S. Liaison Office and contract administration assistance to U.N. forces. The United States plans to withdraw almost all military personnel, but a firm date for withdrawal has yet to be set. The United States has sold more than \$44 million worth of equipment to the U.N. and has leased almost \$4 million worth of other items for use by military contingents attached to the U.N. forces. Before the sale and the lease of these items, the Army studied the impact of these transactions and concluded that they would not harm unit readiness. The U.N. forces in Somalia have replaced the logistics capability lost when the United States withdrew. Officials from the U.N., the State Department, and the Pentagon are confident that the U.N. forces should be able to carry out their mandate at current troop levels, although Pentagon officials caution that an escalation in interclan fighting could undermine the success of the U.N. mission in Somalia.

**Overhead Costs:
Costs Charged by McDonnell Douglas Aerospace's Space
Station Division**

GAO/NSIAD-94-150, June 23 (10 pages).

In reviewing \$3.6 million in overhead cost submissions from McDonnell Douglas Aerospace's Space Station Division for 1991-92, GAO discovered about \$251,000 in unallowable expenses and about \$77,000 in insufficiently documented consultant costs. The Division's controls are not adequate to identify and segregate unallowable costs. Also, the Defense Contract Audit Agency did not perform adequate transaction testing of the costs included

in the company's overhead submissions. The Space Station Division's overhead submissions also included about \$53,000 for employee state and federal taxes under an employment referral program, \$348,000 in assignment payments to induce employees to transfer to new work locations, and \$1.9 million for employee education. Clarification of the Federal Acquisition Regulation on such expenses may be needed.

**Commercial Practices:
DOD Could Reduce Electronics Inventories by Using Private
Sector Techniques**

GAO/NSIAD-94-110, June 29 (56 pages).

The value of the Defense Department's (DOD) secondary inventories, which include spare parts for weapon systems, and electronic and other hardware, increased by \$60 billion between 1980 and 1988. Private sector firms are streamlining their operations by adopting innovative inventory management strategies that cut costs and improve service. In most areas, however, DOD has not streamlined operations and continues to buy and store redundant levels of electronic items, valued at more than \$2 billion. The size of DOD's electronic inventory reflects a philosophy of meeting customer needs by having huge stocks on hand. The Defense Logistics Agency's large inventory turns over slowly—about once every four years on average, contains large levels of excess and obsolete items, and costs DOD millions of dollars each year to hold. DOD is trying to improve its logistics system, including using private sector practices—long-term contracting, electronic ordering systems, and direct delivery programs—to manage some electronic supplies. Efforts to implement these practices, however, affect only a small portion of electronics supplies.

**Trident II:
Reductions to MK-6 Guidance System Inventory Objectives May
Be Possible**

GAO/NSIAD-94-192, July 6 (26 pages).

The Navy plans to have 10 Trident II missile submarines by the end of fiscal year 1997. Each Trident II carries 14 D-5 missiles, and each missile is equipped with the MK-6 guidance system, which is comprised of an inertial measurement unit and an electronics assembly. The Navy maintains spare MK-6 guidance systems on board each submarine and in its logistics pipeline for test and maintenance purposes. The Navy carries six spare

MK-6s on board each patrolling submarine. These inventory objectives are based on maintaining the same high levels of readiness and reliability that were originally established between 1986 and 1987 during the Cold War era. GAO found that reducing the number of on board spares to three would decrease the guidance system's operational readiness by only 3 percent, and reducing the number of spares to four would result in only a 0.66 percent decrease. GAO recommends the Secretary of Defense consider reducing the number of additional MK-6 guidance systems scheduled to be procured in coming years in light of the decreased threat following the break up of the Soviet Union and the end of the Cold War.

**Environmental Cleanup:
Inconsistent Sharing Arrangements May Increase Defense Costs**

GAO/NSIAD-94-231, July 7 (14 pages).

Environmental cleanup at the Defense Department's government-owned, contractor-operated plants and the Rocky Mountain arsenal will take longer and cost far more than the military suggests. According to military service and Defense Logistics Agency data, however, projected costs will be \$3 billion, or about 70 percent more than reported by DOD. GAO's work at selected sites indicates that eventual costs will be even higher than indicated by DOD or the services. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 imposes liability for cleanup on a variety of potentially responsible parties, including facility operators and generators of hazardous substances. Lacking clear guidance from the Secretary of Defense, the services have developed policies that interpret their authority to seek cost sharing from other parties differently. Consequently, the services have not required that plant operators share in the cost of cleaning up past contamination.

**DOD Training:
Many DOD Linguists Do Not Meet Minimum Proficiency
Requirements**

GAO/NSIAD-94-191, July 12 (31 pages).

Many linguists are graduating from the Defense Department's (DOD) language training school without having obtained the limited language proficiency desired. This proficiency level—level 2—is defined as having enough language capability to meet routine social demands and limited job requirements. The linguists should be able to handle concrete topics in

past, present, and future tense. Although the language training school has significantly increased the number of students graduating at level 2 or higher in recent years, about one-third of all students continue to graduate below this level of proficiency. Moreover, the military services routinely allow students who do not attain a level 2 proficiency to proceed to the next phase of training—technical school. GAO recommends that DOD review individual service practices for awarding foreign language proficiency pay to determine whether all linguists should receive equal pay for equal achievement, determine whether the current Army and Marine Corps practice of paying for less than level 2 proficiency should continue, and establish procedures for coordinating commercial language training class schedules.

**Ballistic Missile Defense:
Records Indicate Deception Program Did Not Affect 1984
Test Results**

GAO/NSIAD-94-219, July 21 (35 pages).

In 1983, the Army tried to rig the first two of four tests of a ballistic missile interceptor in order to deceive the Soviet Union and influence arms control talks. GAO found no evidence that the Defense Department (DOD) deceived Congress about the feasibility of Star Wars technology when it reported that the fourth test in 1984 was successful. Concerns have been raised in Congress that representations about the test might have laid a faulty foundation for the \$30-billion investment in the Strategic Defense Initiative. Although the contingency deception plan had been in place for the first two tests of the interceptor, it did not affect their outcomes. Analyses of the fourth and final test data are consistent with the Army's claim that the interceptor and its target collided. Records also support the conclusion that the interceptor was guided during its final maneuvers by its onboard infrared sensor. However, steps were taken to make it easier for the interceptor's sensor to find the target. The Pentagon did not disclose this enhancement of the target's infrared visibility to increase the probability of detection.

**Defense Conversion:
Capital Conditions Have Improved for Small- and Medium-Sized
Firms**

GAO/NSIAD-94-224, July 21 (11 pages).

Cuts in the Defense Department's (DOD) procurement budget are forcing a consolidation of the defense industrial base and job losses for many defense industry workers. This situation has prompted initiatives to help defense firms, particularly small ones, convert defense-related technology to commercial use. The Defense Department is authorized to provide up to \$15 million for guaranteed loans to help small firms in the defense industry convert to commercial applications. This report provides information on general trends in the availability of capital for small and medium-sized firms and on federal and nonfederal initiatives to improve access to capital for these firms.

**Navy Supply:
Improved Material Management Can Reduce Shipyard Costs**

GAO/NSIAD-94-181, July 27 (57 pages).

Material management practices at naval shipyards have improved since GAO's last review in 1985, but further improvements are possible. The shipyards' material requirements determination process still is not working as intended. As a result, shipyards ordered more material than necessary to repair ships and the shipyards had unused material on hand after the repairs were completed. The quantity of unused material exceeded the Navy goal and had to be written off as a loss when it was unneeded elsewhere. In fiscal years 1991 through 1993, the shipyards wrote off \$88 million in losses for unused material, including \$56 million in items sent to disposal. Excess material orders resulted from several factors, including the lack of analysis into the reasons for unused material and the absence of historical material usage data to help determine requirements. Also, because adequate management controls were not in place, the shipyards maintained inventories of material that went unrecorded on official inventory records, stored more shop material than was needed for repairs, and did not ensure compliance with policies to eliminate excess inventories and protect material from loss.

Testimony

Defense Industry Consolidation: Issues Related to Acquisition and Merger Restructuring Costs, by David E. Cooper, Director of Acquisition Policy, Technology, and Competitiveness Issues, before the Subcommittee on Oversight and Investigations, House Committee on Armed Services. GAO/T-NSIAD-94-247, July 27 (six pages).

The pace of consolidation of the U.S. defense industry has increased sharply this year. In the 16 months between August 1992 and December 1993, the industry experienced four large mergers and acquisitions; but, since the start of this year, the industry has already seen five major combination of firms. This dramatic reshaping of the industry involves extraordinarily complex transactions with potentially significant cost, benefit, and risk implications for corporate bottom lines, taxpayer expenditures, and national security capabilities. In July 1993, the Pentagon issued a memorandum allowing restructuring costs to be charged against defense contracts when it could be shown that savings to the government as a result of the restructuring would exceed the costs or when the merger preserved a critical defense capability. This testimony focuses on (1) the definition of restructuring costs, (2) the cost impact on Defense Department contracts, and (3) other issues.

Natural Resources

Federal Lands: Land Acquisitions Involving Nonprofit Conservation Organizations

GAO/RCED-94-149, June 15 (29 pages).

In May 1992, the Interior Department's Office of Inspector General reported on problems it found with land acquisitions between nonprofit conservation organizations and three federal agencies—the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service. The Inspector General said that the prices for some acquisitions exceeded fair market values, the related land appraisals were sometimes out of date or were not well reviewed, and nonprofits reaped financial windfalls on land acquisitions by the Interior Department. This report discusses the (1) extent to which agencies other than the Interior Department buy land from or with the help of nonprofits, (2) adequacy of controls for protecting the government's interest in such acquisitions, and (3) extent to which nonprofits realize large financial gains in such transactions.

Endangered Species Act: Impact of Species Protection Efforts on the 1993 California Fire

GAO/RCED-94-224, July 8 (15 pages).

In October 1993, a wildfire near Riverside, California, raged over about 25,000 acres—an area more than one-half the size of the District of

Columbia. The wildfire destroyed 29 homes. Some homeowners later alleged that the loss of some homes was caused by Interior Department regulations protecting the Stephen's kangaroo rat, an endangered species. Specifically, the homeowners claimed that prohibitions against "disking" for weed abatement—an annual process of reducing the amount of vegetation around homes to protect them from wildfires—prevented them from saving their property. This report reviews (1) the development and application of the disking prohibition; (2) the nature of the fire and the resulting damage to homes; (3) the relationship, if any, between the disking prohibition and the loss of homes; and (4) any developments on the disking prohibition that have occurred since the fire.

**Federal Lands:
Fees for Communications Sites Are Below Fair Market Value**

GAO/RCED-94-248, July 12 (32 pages).

The Forest Service and the Bureau of Land Management (BLM) are the two major federal agencies whose lands are used as sites to broadcast radio, television, and other electronic signals. These sites, mainly located in the western United States, are for the most part leased to private entities that build and operate communications facilities. The annual fees being charged for such communications sites are, in many cases, significantly below fair market value. Forest Service and BLM officials estimate that charging fees on the basis of fair market value would boost total federal revenues by more than 500 percent—from about \$4 million to about \$23 million annually. Although the Forest Service and BLM have been trying to set fees reflecting fair market value, annual appropriations legislation has limited the amount by which these fees can be increased. As long as these limits are in effect, the fees charged will not reflect fair market value. Both the Forest Service and BLM lack reliable and complete information needed to manage their communications site programs. In addition, many unauthorized communications users are operating on Forest Service lands, and annual inspections to ensure that the sites are properly maintained are rarely done. GAO summarized this report in testimony before Congress; see:

Federal Lands: Fees for Communications Sites Are Below Fair Market Value, by John H. Anderson, Jr., Associate Director for Natural Resources Management Issues, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations, and the Subcommittee on Natural Parks, Forests, and Public

Lands, House Committee on Natural Resources. GAO/T-RCED-94-262, July 12 (13 pages).

Science, Space, and Technology

National Science Foundation: Better Use of Existing Resources Could Improve Program Administration

GAO/RCED-94-95, June 24 (95 pages).

The National Science Foundation (NSF), through its Directorate for Education and Human Resources, exercises the unique federal role of advancing science, mathematics, engineering, and technology education programs. For fiscal years 1990 through 1993, money available for these programs more than doubled, from about \$243 to \$512 million, while resources to administer and manage the programs grew by less than one-fourth, or from about \$6 million to \$7.3 million, adjusted for inflation. This report examines (1) how the Directorate sets priorities for its education programs, (2) how the Directorate evaluates the results of its programs and how these evaluations are used to set future priorities, and (3) whether the Directorate has obtained the resources it needs to run its programs effectively.

Tax Policy and Administration

Tax Administration: Information on IRS Executive Relocations and Travel Matters

GAO/GGD-94-140, June 1 (12 pages).

In the three-year period ending September 1992, Internal Revenue Service (IRS) executives were relocated 122 times at a cost of \$60,000 for each relocation. IRS procedures require consideration of lower cost alternatives for long-term travel associated with temporary duty assignments exceeding two months. GAO reviewed long-term travel assignments made at four IRS offices during fiscal year 1992. In these cases, officials who authorized the travel said that less costly alternatives were considered. GAO's sample of 67 meetings and conferences held at nongovernmental facilities during fiscal year 1992 showed that site selections generally met federal requirements. In 1993, IRS reviewed its procedures on selection of meeting and conference sites to restrict the use of nongovernmental facilities for these activities. The revisions responded to the Treasury Department Inspector General's conclusion that IRS was not adequately

managing the selection of nongovernmental facilities for such activities. IRS has encouraged the use of modern technology to cut travel costs and estimates that it saved nearly \$3 million in travel expenses from January to July 1993 by using videoconferencing. IRS officials said that IRS continues to assess its strategies to take advantage of emerging telecommunications technology.

**Tax Administration:
Information on IRS' International Tax Compliance Activities**

GAO/GGD-94-96FS, June 27 (19 pages).

In 1993 there were about 52,000 foreign-controlled corporations in the United States, 19,000 foreign corporations with business activities in the United States, and an estimated 80,000 U.S.-controlled foreign corporations. GAO has previously reported on problems with international tax compliance and the fact that proportionately more foreign-controlled corporations pay no U.S. income taxes versus U.S.-controlled corporations. Congress and others have raised questions about the complexity of the international tax laws and about the Internal Revenue Service's (IRS) ability to ensure that corporations are accurately calculating their tax liabilities. Therefore, Congress authorized IRS more international resources for fiscal year 1994. This fact sheet provides information on (1) how IRS has used additional resources allocated to international compliance activities and (2) how IRS measures the effectiveness of these activities.

**Internal Revenue Service:
Changes Needed in the Role of Regional Offices**

GAO/GGD-94-160, July 26 (60 pages).

Past studies of the Internal Revenue Service (IRS) have concluded that the agency needs regional offices. GAO reached the same conclusion after surveying the internal customers of regional offices—executives in IRS' National Office and field offices—and after reviewing regional office involvement in IRS' new initiative aimed at bringing nonfilers back into the tax system. IRS has about 96,000 field office workers spread over about 700 locations. Evidence suggests that regional offices are needed for effective management of such a large and far-flung organization. However, GAO found that these offices are not functioning in a way that yields the greatest returns to internal customers. Many customers, although

acknowledging the need for regional offices, often responded negatively to questions about how helpful regional offices have been. With that in mind and in conjunction with upcoming changes that will shrink the number and size of regional offices, IRS needs to rethink the role of those offices. For example, regional staff should not spend valuable time funneling information between National and field offices or doing unproductive reviews of field office activities. It is also unproductive for regional offices to manage activities, such as returns processing, in which the number of sites involved is small enough for the National Office to manage directly.

Transportation

Airport Improvement Program: The Military Airport Program Has Not Achieved Intended Impact

GAO/RCED-94-209, June 30 (36 pages).

This is one in a series of reports reviewing the Airport Improvement Program, the nation's major program for planning and improving its airport infrastructure. One set-aside under the program, the Military Airport Program, was created in 1990 to help convert military airports located in congested cities to civilian use. GAO concludes that most current and former military airports in the program do not meet the conversion goals established for this program; meanwhile, only 23 percent of funding has been allocated to the types of conversion activities identified in the legislation that established the conversion program.

Airport Improvement Program: Reliever Airport Set-Aside Funds Could Be Redirected

GAO/RCED-94-226, June 30 (28 pages).

The Federal Aviation Administration (FAA) provides funding for projects at general aviation airports called "relievers." Congress created this set-aside to reduce congestion at commercial airports by improving reliever airports and to provide general aviation with additional access to airports. The reliever set-aside is at a crossroads. The conditions that the reliever set-aside was created to address do not exist today, largely because of a long and steady decline in general aviation traffic—a trend unforeseen when the set-aside was created. FAA acknowledges that the nation may have too many reliever airports but has not done any detailed studies or analysis to identify which relievers contribute to the national system of airports. Without data to identify and prioritize reliever airports, FAA may

be providing funds to relievers that are not in a position to play a prominent role in the nation's airport system. With the appropriate information, FAA would be in a better position to target its resources to public-use airports that could enhance the nation's air transportation system.

**Aviation Insurance:
Federal Insurance Program Needs Improvements to Ensure
Success**

GAO/RCED-94-151, July 15 (20 pages).

The government sometimes calls on commercial airlines to transport troops and supplies when its own airlift capacity falls short. The insurance the Federal Aviation Administration (FAA) issues, called war-risk insurance, covers losses resulting from war, terrorism, or other hostile acts. During the Persian Gulf war, the Aviation Insurance Program helped fill the void left when commercial insurers hiked premiums or canceled airlines' war-risk coverage. However, the program's future success could be jeopardized because (1) available funds are insufficient to pay for potential losses and (2) delays in claims payments have adverse consequences for both the airlines and the government. One way to deal with the problems of funding and the timeliness of payments would be for Congress to provide the Transportation Department with access to money to pay claims that exceed available funds. The program's success is also threatened by the airlines' uncertainty about FAA's war-risk coverage and concerns about perceived gaps in the coverage as compared with the coverage provided by commercial policies. Weaknesses in the process used to issue war-risk insurance could also delay the timely payment of claims. GAO believes that FAA should require airlines registered for war-risk insurance to routinely submit copies of their current commercial war-risk policies and any subsequent changes as a stipulation for receiving insurance under the Aviation Insurance Program. Finally, Congress needs to clarify whether FAA must obtain a presidential determination before issuing nonpremium insurance and extending the policies for another 60 days.

Testimony

Interstate Commerce Commission: Key Issues Need to Be Addressed in Determining Future of ICC's Regulatory Functions, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Surface

Transportation, Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-94-261, July 12 (19 pages).

The Interstate Commerce Commission (ICC) continues to perform several important rail regulatory functions that are essential as long as captive shippers and market-dominated railroads exist. These duties could conceivably be transferred to the Transportation and Justice Departments, but it is unclear whether the benefits would be significant and the potential exists for loss of independence in decision-making. There is greater potential for budgetary savings in the motor carrier area. Although many shippers and transportation brokers question the need for the current system of motor carrier rate and entry regulation, Congress needs to answer basic questions about the appropriate extent of motor carrier tariff filing and entry application requirements in a deregulated environment. These functions constitute about one-third of ICC's annual budget. *ICC's ancillary motor carrier functions, such as providing consumer protection for the movement of household goods, continue to be important and will likely need to be either performed by ICC or transferred to another agency along with the resources to carry them out adequately.* If Congress decides to eliminate ICC, GAO believes that the potential impacts of this action on the transportation industry should be taken into account. In addition, a transitional period will be needed to ensure a smooth and orderly transfer of activities.

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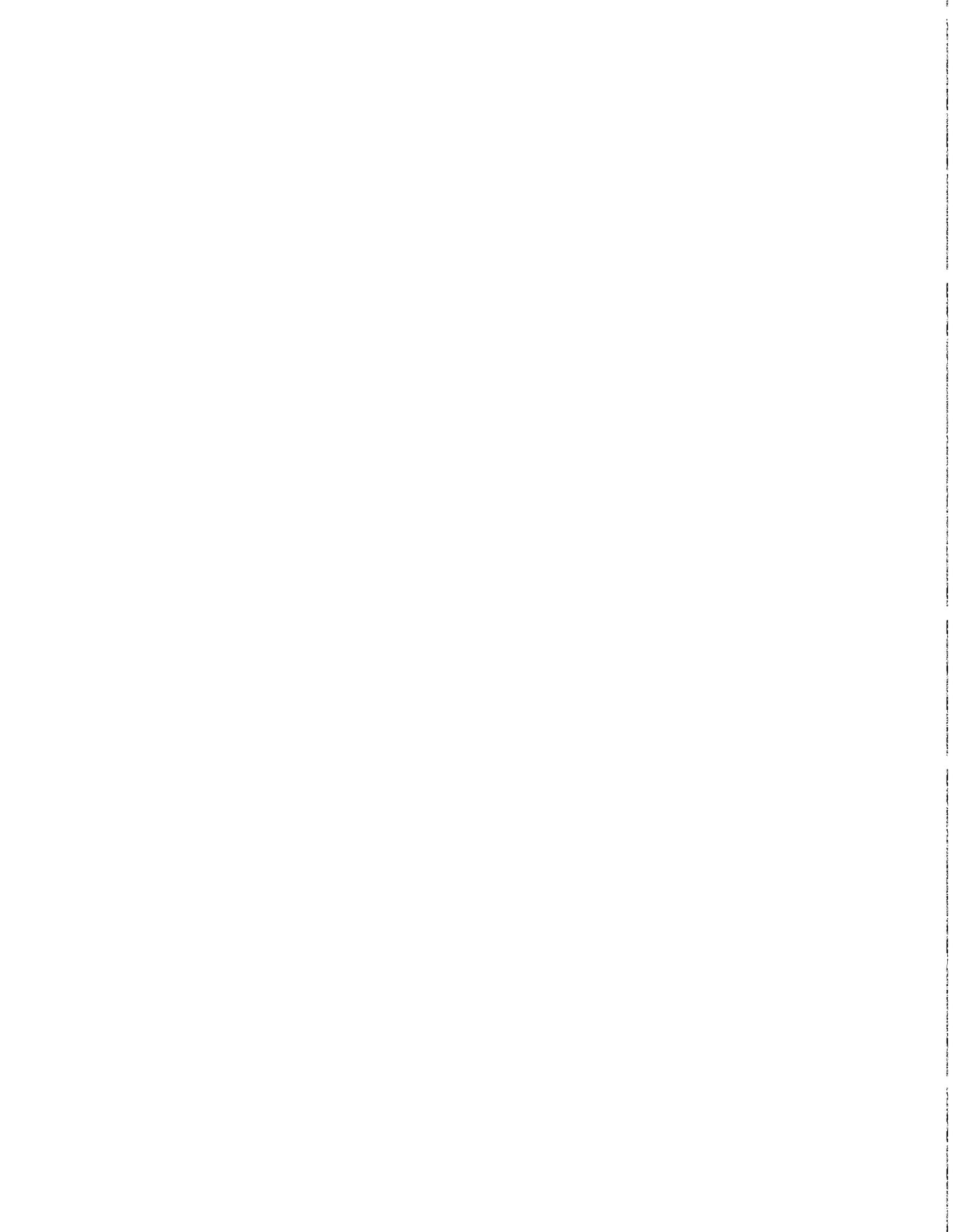
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