
October 1993

Reports and Testimony: October 1993

Highlights

State and Local Finances

Between 1985 and 1991, state and local government surpluses fell as spending outpaced revenues, and at each level of government different factors fueled spending growth—health care at the state level, environment and housing programs at the city level, and public safety at the county level. Page 18.

Drug Control

Congress should reauthorize the White House's Office of National Drug Control Policy for an additional finite period of time, but the office should be directed to improve measures for assessing the progress being made under the national drug control strategies. Page 30.

Drug Control

Measured against drug interdiction success rates and supply reduction goals, the Defense Department's investment in the flying hours and ship steaming days that support the war on drugs is out of proportion to the benefits it provides. Page 29.

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Agriculture and Food

U.S. Department of Agriculture: Centralized Servicing for FmHA Single-Family Housing Loans

GAO/RCED-93-231BR, Sept. 23 (20 pages).

The Farmers Home Administration (FmHA) makes housing and farm loans to rural Americans who cannot otherwise obtain the loans on reasonable terms. Centralized servicing of loans is widely and successfully used by the private sector, including mortgage firms that typically consolidate and centralize loan-servicing functions, such as loan collections, escrow accounting for taxes and insurance, and delinquency management. This briefing report notes that FmHA's single-family housing loan portfolio is far larger than the agency's farm loan portfolio, FmHA's efforts during the past five years to centralize servicing operations for direct housing loans have not been fruitful, the advantages of centralization outweigh the disadvantages, and options for moving forward with centralization would be consistent with the Agriculture Department's efforts to reinvent itself.

Testimony

Agricultural Research: Refocusing Priorities to Meet Current Concerns, by Robert A. Robinson, Associate Director for Food and Agriculture Issues, before the Subcommittee on Agricultural Research, Conservation, Forestry, and General Legislation, Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-94-45, Oct. 7 (20 pages).

The nation's agricultural research system began in 1887 with the creation of agricultural experiment stations. For almost a century, the system's goal was to boost productivity. Today, however, the system is being asked to respond to a host of new goals, such as finding ways to minimize agriculture's impact on the environment, improve human nutrition, increase market demand, and develop rural economies. If the system's priorities are to be redirected, a number of structural impediments will have to be overcome. This testimony provides an overview of (1) the current structure and budget for agricultural research, (2) the new agricultural research objectives that have been introduced in recent years, and (3) factors that have inhibited refocusing of the research agenda on these new objectives.

Budget and Spending

Testimony

Budget Policy: Biennial Budgeting for the Federal Government, by Susan J. Irving, Associate Director for Budget Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-AIMD-94-4, Oct. 7 (13 pages).

Frustration and the budget process appear to go hand and hand. The public seems confused by the budget process, while executive branch agencies view it as a time-consuming ordeal. Even Members of Congress characterize the process as lengthy and accompanied by too many votes on authorizations, budget resolution, reconciliation, appropriations, and debt limit. Too often the results are not what was expected or hoped for. GAO testified that although biennial appropriations could save time for federal agencies, they also could shift control and oversight over federal programs away from Congress. Moreover, although budgeting always involves forecasting, the longer the period of the forecast, the greater the uncertainty. Increased difficulty in forecasting is one of the main reasons that states have switched from biennial to annual cycles. In GAO's view, biennial appropriations would hardly be a cure-all for the nation's budget problems. Congress will have to ask itself how it wants to exercise its constitutional authority over appropriations and in what forum it will conduct its oversight responsibilities.

Business, Industry, and Consumers

Testimony

Intellectual Property Rights: U.S. Companies' Views on Patent Law Harmonization, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the U.S. Patent and Trademark Office. GAO/T-GGD-94-11, Oct. 7 (eight pages).

This testimony focuses on patent law harmonization, which seeks to bridge some of the basic difference between the U.S. patent system and those of other countries. The United States, for example, is the only developed nation awarding patents to the first inventor regardless of when the patent application is filed. Moreover, U.S. patent applications are kept

secret until a patent is granted. In contrast, most developed countries award patents to the first inventor to file an application and publish all patent applications after they are filed. GAO's remarks are based primarily on the results of a 1992 survey of U.S. companies regarding their patent experiences in Japan, Europe, and the United States and their views on patent harmonization.

Civil Rights

Testimony

EEOC: Federal Affirmative Planning Responsibilities, by Nancy Kingsbury, Director of Federal Human Resource Management Issues, before the Subcommittee on Select Education and Civil Rights, House Committee on Education and Labor. GAO/T-GGD-94-20, Oct. 13 (18 pages).

How well has the Equal Employment Opportunity Commission (EEOC) succeeded in creating a federal workforce that is discrimination free and reflects the nation's population? GAO found general increases in the employment of women and minorities at federal agencies. All groups of women and minorities have gained in representation relative to white men at all grade levels. Yet some groups, such as Hispanic men and women, are not fully represented in the federal workforce. EEOC requires agencies to prepare five-year affirmative employment plans. Many agencies were late, some very much so, in submitting plans. In addition, agencies often failed to critically analyze these plans. Nonetheless, EEOC approved the tardy or incomplete plans. GAO also testified that (1) EEOC sometimes mandated the use of out-of-date data for affirmative action planning; (2) EEOC did not sufficiently encourage agencies to analyze trends in hiring, training and development, promotion, and separation that would provide more information useful for achieving affirmative action goals; and (3) neither EEOC nor the Office of Personnel Management helped agencies collect information on the minority and gender composition of the applicant population, information that would help in recruiting. Although strong leadership at EEOC is essential, the President and Congress need to underscore the need for assertive affirmative employment programs at agencies and hold senior managers accountable for achieving a representative workforce, particularly at higher grade levels.

Education

Testimony

Student Financial Aid Programs: Pell Grant Program Abuse, by Richard C. Stiener, Director of the Office of Special Investigations, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-OSI-94-8, Oct. 27 (46 pages).

The Department of Education must take the lead in marshalling its own resources and enlisting the support of the states in protecting federal student financial aid programs from fraud and abuse. GAO discovered that many Orthodox Jewish schools, or yeshivas, in New York City were involved in misconduct relating to the Pell Grant Program, which is supposed to help finance the postsecondary education of low-income undergraduates. The yeshivas had been submitting documentation to the Department of Education for (1) "ghost" students—students who had never applied for Pell Grants or persons who had never enrolled in or attended the yeshivas that were using their names; (2) ineligible high school students; (3) persons whose biographical information had been sold to yeshivas by "brokers" for use in obtaining Pell Grants; and (4) misrepresentation of their academic programs and other eligibility criteria. Between 1983 and 1993, the 23 institutions GAO investigated obtained more than \$300 million in Pell Grant funds; 60 percent of this money—\$197 million—was obtained within the last three years. During this period, the Department of Education failed to adequately screen or review schools for participation eligibility.

Employment

Testimony

Dislocated Workers: Trade Adjustment Assistance Program Flawed, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Employment, Housing and Aviation, House Committee on Government Operations. GAO/T-HRD-94-4, Oct. 19 (11 pages).

Each year, about one million Americans lose their jobs because of business closures and permanent layoffs. Many of these workers are dislocated because of increased imports, and some receive assistance from the Trade Adjustment Assistance (TAA) Program. Recent studies, including those by GAO and the Department of Labor, have concluded that

the TAA program falls short in helping dislocated worker reenter the workforce. GAO believes that to be successful, a reemployment program, such as TAA, should meet seven key goals, which this testimony discusses in detail. The existence of several targeted assistance programs in addition to TAA suggests that the nation's overall approach to dislocated worker assistance needs review. Congress may wish to consider a simplified approach that helps workers regardless of the reason for their dislocation.

Occupational Safety and Health: Changes Needed in the Combined Federal-State Approach, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Labor Standards, Occupational Health and Safety, House Committee on Education and Labor. GAO/T-HRD-94-3, Oct. 20 (nine pages).

In the wake of a deadly 1991 fire at a North Carolina chicken-processing plant that had never been inspected by the Occupational Safety and Health Administration (OSHA), questions were raised about the need for changes in the workplace safety and health programs run by OSHA and the states. GAO testified that federal oversight of state-run job safety and health programs is still plagued by substantial weaknesses that GAO pointed out five years ago, the most basic flaw being OSHA's lack of information about the effectiveness of both its own program and state programs. In addition, (1) the program activity measures OSHA uses are flawed by the lack of priorities and moving targets for comparison, (2) OSHA still does not require states to do self-assessments, and (3) OSHA has been unsuccessful in getting states to implement its recommended corrective actions. OSHA's special evaluations discovered that all except one of the 21 state programs covering private sector and government workers were unacceptable in one or more crucial areas. GAO found four unique program features adopted by states or supported by empirical research that merit further consideration by OSHA and the states as ways to strengthen safety and health programs.

Energy

Nuclear Waste: Funds Spent to Identify a Monitored Retrievable Storage Facility Site

GAO/RCED-93-199, Sept. 7 (16 pages).

The expenditures of the Nuclear Waste Negotiator's office were consistent with the administrative provisions of the legislation that created the office. The Negotiator was empowered to find a state or an Indian tribe willing to

host a repository or a monitored retrievable storage facility for storing hazardous waste. The Nuclear Waste Policy Amendments Act of 1987 gives the Negotiator considerable discretion in managing office procedures, such as hiring and paying staff and entering into leases and contracts. The Department of Energy's (DOE) awards of grants to counties and Indian tribes were consistent with the objectives of the monitored retrievable storage program. DOE has adequately reviewed grant applications and has monitored grantees' expenditures.

**Nuclear Nonproliferation and Safety:
Challenges Facing the International Atomic Energy Agency**

GAO/NSIAD/RCED-93-284, Sept. 22 (76 pages).

The discovery of Iraq's nuclear weapons program, North Korea's refusal to allow the International Atomic Energy Agency (IAEA) to conduct nuclear inspections, and the Chernobyl nuclear power plant accident have focused attention on nuclear proliferation and the safety of nuclear power plants. These issues are of particular concern to IAEA, whose main duties are verifying the peaceful use of nuclear material and promoting nuclear energy. This report examines the (1) effectiveness of IAEA's safeguards program and the adequacy of program funding, (2) management of U.S. technical assistance to IAEA's safeguards program, (3) effectiveness of IAEA's program for advising member states about the safety of nuclear power plants, and (4) adequacy of program funding.

**Nuclear Waste:
Overhead Costs at the Department of Energy's Savannah River Site**

GAO/RCED-94-13FS, Oct. 25 (26 pages).

The Department of Energy's (DOE) contract management, including contractors' overhead costs, continues to be a topic of concern to both the agency and Congress. GAO has been examining overhead costs billed by Westinghouse, the contractor in charge of DOE's facilities at the Savannah River Site in South Carolina. This fact sheet provides information on overhead costs (1) budgeted under Westinghouse's contract for fiscal year 1993 and the allocation of these costs to Westinghouse's various organizational units at Savannah River and (2) budgeted and incurred by Savannah River's Environmental Restoration Program, including overhead costs distributed to certain environmental restoration projects.

**DOE Management:
Funds for Maintaining Contractors' Operations Could Be Reduced
and Better Controlled**

GAO/RCED-94-27, Oct. 25 (18 pages).

Prefinancing refers to the budget authority that contractors maintain to continue operations at Department of Energy (DOE) facilities in the event of a funding lapse at the start of a fiscal year. At the end of fiscal year 1992, prefinancing funds among DOE contractors totaled \$219 million. GAO concludes that the amount of prefinancing funds can be cut and, for some contractors, eliminated. DOE allows its contractors to keep enough money on hand to finance operations for 20 days. GAO questions the need for this funding because (1) other money is available that can be used to continue operations if funding lapses; (2) any lapses in funding are likely to be shorter than 20 days; and (3) some essential activities, such as running the nuclear weapons facilities, can legally be continued for a limited time without appropriated funds. DOE's prefinancing funds are not adequately controlled. For example, prefinancing funds are not specifically requested and justified in DOE's annual budget. Furthermore, DOE does not require the contractors to maintain separate balances for prefinancing funds, allowing them instead to mingle prefinancing funds with operating or construction funds. In addition, DOE has used prefinancing money to offset budget cuts rather than to bridge funding lapses.

**Energy Management:
Additional Uncosted Balances Could Be Used to Meet Future
Budget Needs**

GAO/RCED-94-26, Oct. 26 (29 pages).

In congressional testimony last year (GAO/T-RCED-92-41), GAO recommended that the Department of Energy (DOE) developed a system to ensure that uncosted obligations—commitments that DOE has made to contractors for goods and services that have yet to be delivered—are analyzed as part of its budget formation process. Since then, DOE has made significant strides towards effective evaluation of its uncosted balances as part of its budget preparation process. The absence of supporting accounting systems and unfamiliarity with the new definitions, however, have produced inaccuracies in the data included in DOE's first uncosted balances report. These inaccuracies limit the information's usefulness in making budget decisions. Developing the systems to accumulate the information in the

format needed for this report would improve the reliability of the information reported. In addition, revising the definition of what should be reported as approved work scope could help spot delayed projects that have accumulated more funding than can be used effectively during the following fiscal year. DOE proposed using about \$1 billion of the uncosted balances to meet fiscal year 1993 and 1994 budget needs. GAO believes, however, that the additional amounts of the uncosted balances could be used to reduce the budget amount needed for fiscal year 1994. In addition, procedures requiring the prompt release of encumbered amounts not needed to settle completed and terminated purchase orders and contracts would help ensure that such amounts are not reported as encumbrances in the future.

Testimony

Safety and Health: Worker Safety and Health Oversight Issues Facing DOE, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Energy, House Committee on Science, Space, and Technology. GAO/T-RCED-94-54, Oct. 21 (17 pages).

The Department of Energy (DOE) is involved in various activities that could expose workers to radiation and toxic chemicals. In 1992 alone, 15 DOE workers died during on-the-job mishaps. During the past decade, GAO has repeatedly called for improvements in DOE's safety and health oversight. Although recent DOE initiatives aimed at improving safety and health programs are an important step, the agency needs to develop a clear safety policy—one that clearly spells out what is expected of contractors and their workers—if its efforts are to succeed. Such a policy, along with specific goals and performance measures, could help DOE improve its safety culture and performance. In addition, GAO continues to believe that DOE's Office of Environment, Safety, and Health needs adequate authority, independence, and resources to perform vigorous independent internal oversight. Finally, a detailed plan could help to ensure a smooth, successful transition to oversight by the Occupational Safety and Health Administration.

Environmental Protection

**Protected Species:
Marine Mammals' Predation of Varieties of Fish**

GAO/RCED-93-204, Sept. 10 (12 pages).

According to government officials, the hunting of steelhead salmon by California sea lions at Ballard Locks in Seattle, Washington, is the only documented case in which predation by one species is threatening the existence of another, although federal officials suspect that the adverse predation of fish by protected seals may also be occurring in at the Columbia River and in the state of Maine. Efforts to counteract the predation at Ballard Lock, including relocating the sea lions and driving them away from the locks, have been unsuccessful. Other possible options include capturing and holding the sea lions during the steelhead's migration and making structural changes to the locks and the accompanying spillway. The National Marine Fisheries Service has considered but rejected the possibility of controlling the sea lion population through lethal means.

**Lead-Based Paint Poisoning:
Children in Public Housing Are Not Adequately Protected**

GAO/RCED-93-138, Sept. 17 (36 pages).

Children with elevated blood lead levels who live in public housing have not been adequately protected from further poisoning from lead-based paint because the Department of Housing and Urban Development (HUD) and local housing authorities have not complied with all the requirements of a 1988 law. The six public housing authorities (PHA) GAO reviewed often did not comply with HUD regulations for testing these children's homes or relied on testing procedures that may not have fully disclosed the presence of lead-based paint. In only one of the 50 cases GAO reviewed did PHAS comply with emergency abatement or relocation regulations for children with elevated blood lead levels. Many children ended up being exposed to lead-based paint for more than a year after PHAS learned of their diagnoses. A lack of HUD oversight, coupled with PHAS' noncompliance, has left these children vulnerable to lead poisoning and may produce lawsuits that are costly to the federal government. Moreover, HUD regulations do not require either notifying other tenants about lead-based paint dangers or testing other units in buildings where diagnosed children live. Overall, HUD has not complied with all the law's requirements aimed at abating lead-based paint hazards from public housing and has not ensured that PHAS comply with its testing, abatement, and notification requirements.

Testimony

Pesticides: Reregistration Delays Jeopardize Success of Proposed Policy Reforms, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-94-48, Oct. 29 (11 pages).

The Environmental Protection Agency (EPA) will not be able to reregister all pesticides by 1998, though required by law. As of September 1993, EPA had reregistered only 250 of the 20,000 older pesticides now registered. EPA estimates that it may not complete reregistration until 2006. Moreover, EPA has been slower than expected in reregistering pesticides used on food. Finally, EPA has not included all costs in its estimate of the \$20 million deficit it has projected to complete reregistration. EPA's schedule for reregistering lawn care pesticides has slipped, by as much as four years. But even after these substances have been reregistered, their safety may still in doubt. Until EPA has set guidelines for assessing the health effects of pesticides applied to lawns, the agency will not be able to guarantee the safety of persons exposed to them—particularly children, who tend to have more contact with treated lawns than do adults.

Air Pollution: Progress and Problems in Implementing Selected Aspects of the Clean Air Act Amendments of 1990, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-94-68, Oct. 29 (52 pages).

Implementing the Clean Air Act has been a tremendous undertaking, requiring the commitment of major resources at the federal, state, and local levels. Since the act's passage, the Environmental Protection Agency has issued more than 150 proposed and final rules and guidance documents. Some of the delays and problems in the programs GAO has reviewed, however, suggest that the public health and environmental benefits anticipated when the act was passed may not be fully realized. State implementation plans—the key mechanism for controlling air pollution, as well as the foundation for federal-state partnerships—are not being submitted, reviewed, or approved promptly. These delays may worsen as the number of plans that states must submit rises. Similarly, uncertainties and delays in the vehicle-emissions-testing program, as well as the operating permit and air toxics programs, suggest that resources and priorities continue to be fundamental issues that EPA needs to address. The administration's recent emphasis on reinventing government only

underscores the need for EPA and other agencies with growing responsibilities, but flat or shrinking budgets, to explain to Congress how funding shortfalls have affected their ability to do their work.

Financial Institutions

Resolution Trust Corporation: Additional Monitoring of Basic Ordering Agreements Needed

GAO/GGD-93-107, Sept. 13 (26 pages).

Poor monitoring, implementation difficulties, and weak internal controls plagued RTC's Western Storm project, in which RTC noncompetitively awarded a \$24 million contract to reconcile asset records for 94 failed thrifts in 1992. Following Western Storm, similar shortcomings affected task order contracts at HomeFed Savings Bank in San Diego. In that case, RTC paid a contractor \$7 million—about 67 cents per page for labor alone—to photocopy documents. GAO's review of task order contracts using basic ordering agreements, a contracting tool that spells out the terms for future work, showed that RTC had few assurances that field offices were complying with its policies and procedures. RTC lacked a way to ensure adequate competition for task order contracts that were awarded in response to one or two bids. GAO also found that RTC (1) did not ensure the proper use of delegated expenditure authority and noncompetitive contracting procedures and (2) made mistakes in the contractor selection process. Furthermore, RTC's task order contracts sometimes lacked provisions that would have protected the government's interest. Although RTC has revised its contracting manual and started additional contract oversight programs, better controls are needed. RTC has revised its guidance to define acceptable competition for task order contractors, which should increase the flexibility that RTC staff have in determining the extent of competition. To ensure that this flexibility does not result in few responsive bidders, RTC needs to closely monitor the contractor selection process.

International Finance: Recent Developments in Foreign Exchange Markets

GAO/GGD-93-154, Sept. 24 (10 pages).

Foreign exchange currency trading has grown tremendously in the last decade because of the globalization of financial markets and increased international commerce and investment. Although fundamental economic

forces determine long-term exchange rates, the complexity and the variability of these forces make predicting short-term rates highly uncertain. Speculation adds liquidity and flexibility to the market and can be stabilizing. The risks of such speculation, however, create concerns for policymakers. Some recent academic studies suggest that within limits, government intervention can influence short-term movement of exchange rates. Nevertheless, recent experiences with the European Community's exchange rate mechanism demonstrate that exchange rates cannot be sustained at levels that ignore changes in economic fundamentals.

**Resolution Trust Corporation:
Data Limitations Impaired Analysis of Sales Methods**

GAO/GGD-93-139, Sept. 27 (13 pages).

Although the Resolution Trust Corporation (RTC) used appropriate statistical methods in its publication entitled Hard-to-Sell Assets Review Project, data limitations hindered its efforts to analyze three of its sale strategies: (1) Standard Asset Management and Disposition Agreement contractor sales, (2) portfolio sales, and (3) auction sales. The results of RTC's statistical analysis of hard-to-sell assets were compromised because RTC did not always have enough sales and other financial data to assess the effectiveness of its asset disposition strategies. Accurate and complete asset sales and financial information would allow RTC to better manage its inventory and better assess its asset disposition programs. Also, this information will be needed to carry out the Secretary of the Treasury's request that RTC develop a comprehensive business plan that includes a strategy to maximize returns from the sale of its large inventory of hard-to-sell assets. Therefore, GAO recommends that RTC improve its methods for collecting and summarizing this information.

**Resolution Trust Corporation:
Status of Management Efforts to Control Costs**

GAO/GGD-94-19, Oct. 28 (15 pages).

Although the Resolution Trust Corporation (RTC) has spent billions of dollars to date and its expenses are increasing, the agency has not adequately controlled costs. A stronger budget process, greater managerial emphasis on cost control, and more-useful expense accounting information could have helped RTC to spot unnecessary or questionable costs in the past. RTC officials said that efforts to improve operations and

contain costs had been hampered by the formidable challenge of starting up agency operations while also dealing with hundreds of failed thrifts, uncertainties in workloads and funding, and top-management emphasis on rapid asset sales. Nevertheless, RTC continues to refine key cost control processes. In 1993, RTC improved the budget process by developing new expense and revenue and performance measurement reports that better link operational goals to budgeted expenses. RTC continues to address inaccuracies, inconsistencies, and generalized expense accounting data that have stood in the way of agency cost containment. Further, a newly appointed chief financial officer has been given responsibility to oversee all financial management activities.

Futures Markets:

A Futures Transaction Fee Is Administratively Feasible

GAO/GGD-94-40, Oct. 28 (five pages).

Proposals to impose a futures transactions fee, which would be levied on contracts to buy commodities at a set price in the future, have been around for years. Generally, such fees were expected to generate enough money to cover the cost of all Commodity Futures Trading Commission (CFTC) oversight activities. GAO found that implementing a transaction fee is administratively feasible; such a fee, however, may not provide CFTC with enough money to oversee the futures markets unless it is earmarked for CFTC's use.

Testimony

Federal Reserve System Audits: Restrictions on GAO's Access, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-94-44, Oct. 27 (16 pages).

Currently, GAO lacks audit authority over the Federal Reserve's monetary policy, foreign transactions, and Federal Open Market Committee operations. Legislation pending before Congress would remove all restrictions on GAO's authority to examine Federal Reserve activities. Although whether to expand GAO's authority is clearly Congress' call, GAO believes that if its authority is expanded, measures should be included to protect against release of confidential documents and to prevent undue interference with the Federal Reserve's ongoing policymaking functions.

Ginnie Mae: Greater Staffing Flexibility Needed to Improve Management, by Jacquelyn L. Williams-Bridgers, Associate Director for Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-94-67, Oct. 29 (12 pages).

Despite its status as a government-owned corporation with potentially huge liabilities for the federal government—\$416 million at last count—the Government National Mortgage Association (GNMA) has limited authority to add personnel to manage its assets. Because GNMA's staffing needs continue to be tied to the Department of Housing and Urban Development's (HUD) personnel ceiling, the agency has been turning to contractors to handle management information systems, manage and dispose of acquired mortgage portfolios, and monitor issuers. A recent HUD staff study concluded that GNMA lacked enough staff to properly manage its current workload and would need more employees to undertake new initiatives. GNMA managers have been unable to effectively monitor their contractors' activities and have been unable to respond to changing market conditions by creating new products that could lower financing costs for FHA and VA homebuyers.

Financial Management

Deposit Insurance Funds: Compliance With Obligation and Repayment Requirements as of 9/30/92 and 12/31/92

GAO/AIMD-93-75, Sept. 30 (24 pages).

This is the third GAO report on the Federal Deposit Insurance Corporation's (FDIC) quarterly compliance with the maximum obligation limitation set by the Federal Deposit Insurance Corporation Improvement Act of 1991. This obligation limitation applies separately to both the Bank Insurance Fund, the insurer of commercial bank deposits, and the Savings Association Insurance Fund, the insurer of thrift deposits, and is meant to ensure that each fund has enough money to cover its obligations. FDIC's calculations show that (1) the Bank Insurance Fund's assets and other funding sources exceeded its obligations by \$40 billion and \$37 billion, respectively, and (2) the Savings Association Insurance Fund's assets and other funding sources exceeded its obligations by \$245 million and \$280 million, respectively. Although at the end of 1992 neither fund had borrowed money for insurance losses from the U.S. Treasury, the possibility of this happening in the future cannot be ruled out.

**Federal Research:
Assessment of the Financial Audit for SEMATECH's Activities
in 1992**

GAO/RCED-94-17, Oct. 13 (eight pages).

In reviewing the audit of SEMATECH's 1992 financial statements, GAO found no indication the Price Waterhouse's report on the internal control structure or its report on compliance with laws and regulations cannot be relied on. SEMATECH is a U.S. semiconductor manufacturer-Defense Department (DOD) consortium that seeks to advance semiconductor manufacturing technology. In January 1993, DOD began providing advance payments to SEMATECH on a monthly instead of a quarterly basis. This procedure, adopted in response to an earlier GAO recommendation, appears to provide enough working capital funds while minimizing the amount of unexpended government funds that SEMATECH holds.

**Financial Management:
IRS' Self-Assessment of Its Internal Control and Accounting
Systems Is Inadequate**

GAO/AIMD-94-2, Oct. 13 (23 pages).

Because of widespread material weaknesses in the Internal Revenue Service's (IRS) operations, GAO does not believe that IRS can be reasonably sure that the objectives of the Federal Managers' Financial Integrity Act of 1982 have been achieved. The act requires agencies to disclose the condition of their internal control and accounting systems. The IRS process for identifying, disclosing, and correcting material weaknesses must be substantially improved if the agency is to produce reliable information that top management can use to control costs and improve operations. Top management involvement is an essential first step in bolstering IRS operations and accurately reporting IRS internal control and accounting system weaknesses to the Secretary of the Treasury.

**Financial Management:
Customs Lacks Adequate Accountability Over Its Property
and Weapons**

GAO/AIMD-94-1, Oct. 18 (31 pages).

As of September 1993, the U.S. Customs Service reported property valued at \$712 million and held about 23,000 weapons. Despite recent substantive improvements in resolving long-standing problems in managing property, plant, and equipment, Customs' records were unreliable for managing and reporting on these assets. Customs (1) was unable to reconcile the accounting records and related detailed property subsidiary records to ensure that all property items were accounted for; (2) did not do physical inventories of nonequipment items and physical inventories of equipment were not effectively done at 17 of the 40 locations GAO had visited; and (3) was unable to support the values assigned to millions of dollars in property, mainly because appropriate procurement documents were unavailable and Customs used unrealistic estimates. In addition, Customs did not maintain adequate accountability and control over property and weapons, leaving these items vulnerable to theft.

**Financial Management:
Customs' Self-Assessment of Its Internal Control and Accounting
Systems Is Inadequate**

GAO/AIMD-94-8, Oct. 27 (26 pages).

Because of widespread material internal control and accounting system weaknesses, the U.S. Customs Service has little guarantee that the objectives of the Federal Managers' Financial Integrity Act have been achieved and its self-assessments have not yielded vital information that top management needs to control costs and improve operations. Under the act, agencies are required to disclose annually the condition of their internal control and accounting systems. Customs is one of 10 pilot agencies required to prepare financial statements and have them audited by June 30, 1993. Although Customs reported many material weaknesses, it did not identify, disclose, and correct serious deficiencies in its internal control and accounting systems. GAO found major weakness in five areas: seized property, revenue, budget, fixed assets, and procurement. Continual top management involvement is essential to strengthening Customs operations and accurately reporting material weaknesses to the Secretary of the Treasury.

**Financial Management:
Reliability of Weapon System Cost Reports Is Highly Questionable**

GAO/AIMD-94-10, Oct. 28 (34 pages).

The reliability of weapon system cost information in the Army's reports to Congress and the Pentagon and in Army reports used to support critical cost decisions is highly questionable. This information, which came from at least 18 disparate financial and logistics systems, (1) was incomplete and inconsistent among systems, (2) did not include all costs required by Army guidelines, (3) reflected unsupported adjustments, and (4) could not be independently verified. GAO's audit of the Army's financial statements for fiscal year 1992 noted continuing problems with the accuracy of weapon system cost information in the Army's logistics systems. As a result, Congress and other users of the reports cannot be fully confident that reported weapon systems costs are reliable.

Testimony

Financial Management: First Financial Audit of Customs Revealed Serious Problems, by Donald H. Chapin, Assistant Comptroller General for Accounting and Information Management, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-AIMD-94-3, Oct. 5 (25 pages).

The first-ever financial audit of the U.S. Customs Service revealed serious financial management problems and identified related operating problems that threaten the efficiency and the effectiveness of Customs programs. GAO was unable to express an opinion on the reliability of Customs' fiscal year 1992 financial statements because of the lack of critical financial information, inadequate financial systems and processes, and an ineffective internal control structure. Internal controls failed to effectively safeguard assets, to provide a reasonable basis for determining material compliance with laws and regulations, and to eliminate material misstatements from the financial statements. These findings underscore the value of preparing and auditing annual financial statements and the need to accelerate governmentwide financial management reform through full implementation of the Chief Financial Officers Act of 1990.

Government Operations

State and Local Finances: Some Jurisdictions Confronted by Short- and Long-Term Problems

GAO/HRD-94-1, Oct. 6 (132 pages).

As the nation begins to debate health care reform, welfare reform, and other major policy initiatives in which state and local governments are expected to play a key role, questions persist about the financial condition

of these governments. GAO found that between 1985 and 1991, state and local governments faced myriad spending and revenue pressures. Most categories of programs were growing, but some programs grew more rapidly, such as Medicaid at the state level and public safety at the county level. Although jurisdictions tried to curb program growth, trim services, and raise revenues, spending continued to outpace revenues, bringing year-end budget surpluses down. Without such "budget cushions," jurisdictions had less flexibility to fund services, and some jurisdictions ended up with budget deficits. These trends may improve as the economy rebounds or as priorities change. But many cities beset with high poverty levels and low incomes face a more fundamental long-term problem. These jurisdictions have less capacity to finance day-to-day police, fire, and other services because of their relatively low tax bases. Overall, the decline in state and local budget surpluses could worsen the effects of the federal deficit on the economy, potentially reducing long-term growth. In GAO's view, the trends and the differences in state and local financial conditions should be a part of the discussions on major policy reforms now underway. GAO summarized this report in testimony before Congress; see:

State and Local Finances: Some Jurisdictions Confronted by Short- and Long-Term Problems, by Gregory J. McDonald, Director for Operations in the Human Resources Division, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HRD-94-1, Oct. 6 (16 pages).

**Federal Judiciary Space:
Long-Range Planning Process Needs Revision**

GAO/GGD-93-132, Sept. 28 (106 pages).

The process used by the federal judiciary to estimate its long-range space needs is plagued by problems that call into question the accuracy of the judiciary's projections. GAO found that not all judicial districts were treated equally, existing space plus unmet needs for authorized staff was accepted as a baseline without questioning its appropriateness given a district's current caseload, and projection methods were not statistically sound and involved a high level of subjectivity. Overall, the judiciary's projections were 16-percent higher than GAO's estimates. The judiciary's projections involved an overestimate of about \$112 million annually, or \$1.1 billion during a 10-year period. GAO recognizes the difficulty of projecting future space needs with precision. By changing its process, however, the

judiciary could obtain more-reliable estimates of future space needs and provide a better basis for decisionmaking. GAO summarized this report in testimony before Congress; see:

Federal Judiciary Space: Long-Range Planning Process Needs Revision, by Charles I. Patton, Associate Director for Federal Management Issues, before the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation. GAO/T-GGD-94-18, Oct. 7 (six pages).

**Executive Bonuses:
Information on FDIC's and RTC's Executive Bonus Programs**

GAO/GGD-94-15, Oct. 1 (19 pages).

Was it reasonable for the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC) to pay sizable bonuses to their executives during 1991 and 1992, especially given the ongoing recession and the decision by other financial regulatory institutions to award much smaller bonuses to top management? GAO concludes that the bonus decisions at FDIC, RTC, and other financial institution agencies are a matter of executive judgment because each has authority to set the compensation of its employees and no law limits the number or amount of bonuses that can be paid to their executives. FDIC's and RTC's bonus programs seemed to generally incorporate the controls required for Senior Executive Service (SES) bonus programs, with two exceptions that relate to establishing formal performance review boards and to setting individual performance plans for each executive at the start of performance periods. The absence of these controls can have some detrimental effects. Given the subjective nature of performance appraisals and the authority of agency heads to make final bonus decisions, however, it would be difficult to conclude that the bonus decisions at FDIC and RTC would have been any different if the controls required in the SES program had been a part of the bonus programs at the two agencies.

**Federal Contractor Hiring:
Effect of Veteran Hiring Legislation Is Unknown**

GAO/GGD-94-6, Oct. 18 (34 pages).

The Vietnam Era Veterans' Readjustment Assistance Act of 1972 seeks to promote the employment of disabled and Vietnam veterans by federal

contractors. Although federal contractors and state job service centers are generally meeting the requirements of the legislation, the impact of the law on the number of veterans actually hired by federal contractors is unclear. No reliable means has been established for evaluating the impact of these efforts on veteran employment levels or for producing data needed to carry out such an evaluation. In addition, the Department of Labor is limiting employment opportunities for veterans by narrowly defining job openings that are suitable for listing with state job service centers. Labor has defined suitable job openings as those paying less than \$25,000 per year, an interpretation that seems inconsistent with the law's intent of increasing the numbers of jobs listed with state job service centers and that unnecessarily limits opportunities for veterans, most of whom are now in midcareer.

Testimony

Decennial Census: Test Design Proposals Are Promising, but Fundamental Reform Is Still at Risk, by L. Nye Stevens, Director of Planning and Reporting in the General Government Division, before the Subcommittee on Census, Statistics, and Postal Personnel, House Committee on Post Office and Civil Service. GAO/T-GGD-94-12, Oct. 7 (21 pages).

This testimony assesses the Census Bureau's progress in analyzing data needs and the possible content of the 2000 census, as well as the status of testing alternative data collection methods, the Bureau's effectiveness in incorporating research results and consultations into its design, and the Bureau's ability to complete necessary preparations for the 1995 test. GAO concludes that the Bureau's recently prepared 1995 Census Test Design Recommendation contains promising proposals for fundamental breakthroughs. But in view of the status of the Bureau's research and evaluation efforts, which have been slowed by its changing planning strategy, the uncertainties about future funding, and the inability of stakeholders to reach consensus, GAO is concerned about whether the Bureau can design, implement, and properly evaluate the proposals for the 1995 test census.

Personnel Practices: Retroactive Appointments and Pay Adjustments in the Executive Office of the President, by Nancy R. Kingsbury, Director of Federal Human Resource Management Issues, before the Subcommittee on Treasury, Postal Service and General Government, House Committee on Appropriations. GAO/T-GGD-94-32, Oct. 22 (eight pages).

Earlier this year, allegations surfaced concerning the backdating of White House appointments and salary adjustments. GAO testified that 230 White House appointments and 22 salary increases were made retroactively between January and April 1993. Although retroactive, these appointments and salary adjustments were legal. In GAO's view, however, Congress may want to consider amending title 3 of the U.S. Code to clarify the intended scope of the President's authority concerning retroactive pay adjustments. GAO also identified several irregular personnel and pay actions, including the double payment of 25 workers, the improper advancement of annual leave, the keeping of an employee on the payroll after his temporary appointment had expired, and several salary overpayments.

Congressional Oversight: The General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Government Operations. GAO/T-OPP-94-1, Oct. 26 (20 pages).

In GAO's first oversight hearing in eight years, the Comptroller General discussed the agency's efforts to (1) make GAO more responsive to Congress, (2) enhance the quality and timeliness of its products and services, (3) build staff capability and improve its human resource management, and (4) improve the efficiency of its work. GAO issued nearly 3,000 products during the last two years—a 44-percent rise over the total for the fiscal year 1985-86 period. This work has translated into large dollar savings for the taxpayer, including budget reductions, costs avoided, and appropriations deferred. The Comptroller General touched on past and ongoing operational improvements that are enabling GAO to keep pace with the growth and the increasing complexity of government without increasing the size of its staff. He also discussed issues facing the agency as it downsizes during the 1990s.

Public Buildings: Budget Scorekeeping Prompts Difficult Decisions, by L. Nye Stevens, Director of Planning and Reporting in the General Government Division, before the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation. GAO/T-GGD-94-43, Oct. 28 (12 pages).

Budget scorekeeping rules continue to drive the General Services Administration (GSA) toward short-term leases even when ownership clearly offers superior short-term and long-term cost advantages. GAO testified that resolution of this problem would entail hard choices among competing priorities for limited federal dollars. As long as total discretionary spending is controlled by tight caps, greater spending on

public buildings will be accompanied by cuts in other areas of the budget. Whether to boost funding for public buildings at the expense of other programs is a decision Congress will have to make. Current scoring rules require GSA to fully justify full funding purchase options—a difficult argument to make in the current budgetary environment, but one required of all spending programs today.

Health

Medical Malpractice: Estimated Savings and Costs of Federal Insurance at Health Centers

GAO/HRD-93-130, Sept. 24 (60 pages).

With support from the federal government, more than 500 community and migrant health centers provide health care for about six million people who live in areas with a shortage of doctors and other health care providers. Under the Federally Supported Health Centers Assistance Act of 1992, the government will—for a three-year period that began in January 1993—assume responsibility for malpractice claims filed against these facilities. Grantee centers could save as much as \$55 million in insurance costs during that period. The tab for the government could be as much as \$27 million—about \$19 million in claim payments and about \$8 million in contingency margins. Because of possible time lags between when an injury occurs and when a claim is filed and paid, the government could take 10 years or longer to pay for all the compensable injuries that occur at the medical centers. Therefore, the government's estimated costs for claim payments could total about \$27 million, \$30 million, and \$33 million for coverage years 1993-95, respectively. Claims, however, would be paid through the year 2006. It could cost the government more money over time to resolve the grantees' malpractice claims under this arrangement than if private insurance coverage had continued. Because the act provides unlimited dollar coverage for each claim filed and paid—as opposed to private insurance, which sets dollar coverage limits—losses could be about 50-percent greater. In addition, the act makes the government liable for injuries that private sector insurers would not have been liable for.

Medical Malpractice: Maine's Use of Practice Guidelines to Reduce Costs

GAO/HRD-94-8, Oct. 25 (97 pages).

As part of a larger goal of reducing health care costs and improving medical care, Maine is testing an innovative medical malpractice reform initiative. Maine has incorporated into state law 20 practice guidelines for four specialties: anesthesiology, emergency medicine, obstetrics and gynecology, and radiology. This effort seeks to resolve malpractice claims by eliminating the need to litigate to establish the standard of care. Maine officials expect that the practice guidelines will decrease doctors' motivation to do medically unnecessary tests and will lower health care costs. Maine was able to incorporate the practice guidelines into law by (1) gaining broad involvement of those affected by the guidelines, (2) ensuring that those developing and choosing the guidelines were accountable to the public, and (3) protecting the physicians who use the guidelines in their practice. Specifically, the project was developed and is overseen by health care providers, payers, and consumers. To persuade Maine's doctors to participate in the project once it was developed, the project provides physicians complying with the guidelines a defense in future malpractice lawsuits. With these components, the majority of eligible doctors opted to participate in the project.

Medicare:

Better Guidance Is Needed to Preclude Inappropriate General and Administrative Charges

GAO/NSIAD-94-13, Oct. 15 (20 pages).

GAO found that \$1.1 million of \$2.6 million in administrative expenses claimed by the Hospital Corporation of America (HCA) in its Medicare cost report was either unallowable, questionable or unsupported. In a recently completed review of administrative expenses and employee fringe benefit costs claimed by hospitals and corporate offices in their Medicare cost reports, the Inspector General at the Department of Health and Human Services found more than \$50 million in unallowable and questionable expenses. He concluded that a lack of explicit guidance in Medicare cost principles was at least a contributing factor to this problem. Similarly, the general nature of the Medicare cost principles was a major reason why HCA included inappropriate costs in its report. Medicare cost principles, for example, do not specifically address many of the costs that GAO questioned, such as liquor, flowers, gifts, entertainment, Christmas parties, and scholarships for employee children. In GAO's view, the cost principles contained in the Federal Acquisition Regulation and in Office of Management and Budget Circular A-21 provide useful guidance on allowable general and administrative expenses.

**Managed Health Care:
Effect on Employers' Costs Difficult to Measure**

GAO/HRD-94-3, Oct. 19 (43 pages).

Many employers believe that, in principle, managed care plans save money, but little empirical evidence exists to support this view; most cost studies do not adequately control for key factors affecting costs, such as employees' age or health status. Consequently, the cost savings suggested by many studies may be due to the fact that managed care plans tend to attract younger and healthier employees rather than to cost containment. In addition, plan comparisons often do not account for differences in benefits provided. Little research has been done on employer cost containment among the newer HMOs using doctors in independent practice associations, preferred provider networks, or the managed care hybrids. Some managed care plans have a potential for cost savings. Cost containment efforts in managed care largely involve controls on the use of expensive medical services. Restrictions on employees' choice of doctors is viewed as the main barrier to employee acceptance of network-based managed care plans. To improve their ability to assess plans, employers are increasingly asking managed care plans for more information on costs, outcomes, use rates, and enrollee satisfaction. Nearly all HMOs' report employer requests for these data, and local employer coalitions are working to enhance the development of this information.

Testimony

1993 German Health Reforms: Initiatives Tighten Cost Controls, by Janet L. Shikles, Assistant Comptroller General for Human Resources Programs, before the Senate Committee on Finance. GAO/T-HRD-94-2, Oct. 13 (12 pages).

Expensive new technologies, an aging population, administrative waste, structural inefficiencies, and unnecessary medical procedures have all fueled soaring health care costs in most industrialized nations. In 1993, Germany, concerned about sharp rises in health insurance premiums, began tightening its existing cost-control measures. The United States may find the German experience instructive because that nation provides coverage for nearly all its residents, guarantees a generous benefit package, and, like the U.S. system, relies mainly on employment-based financing. This testimony, which draws on a July 1993 GAO report (GAO/HRD-93-103), provides an overview of the German health care system, discusses problems leading up to the 1993 reforms, and presents some early results of these changes.

Housing

Housing Finance: Expanding Capital for Affordable Multifamily Housing

GAO/RCED-94-3, Oct. 27 (136 pages).

One of the nation's most critical housing problems today is the shortage of decent and affordable multifamily rental housing. Congress has been trying to expand the availability of capital to finance such housing through credit enhancements—mechanisms for transferring credit risk from one party to another—such as mortgage insurance. Congress has authorized the Federal Housing Administration to undertake risk-sharing demonstration projects to test the effectiveness of new forms of federal credit enhancements for multifamily housing. This report examines (1) the problems that have led to the shortage of mortgage financing for affordable multifamily housing, (2) the factors limiting the expansion of a secondary market for such housing, (3) alternative forms of federal credit enhancements, and (4) ways to estimate and limit the federal government's exposure to risks in adopting specific credit enhancements.

Income Security

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future

GAO/HRD-94-22, Oct. 27 (80 pages).

Failure to meet the Social Security Administration's (SSA) management challenges could have serious consequences. SSA provides benefits to about 47 million people today, and it will have to provide benefits and services to many more people in the future. The baby boomers are aging, and beginning in 1995, Social Security earning and benefits statements will be required for all workers. SSA is already seeing the effects of a significant rise in disability cases, an area already plagued by major processing delays. This third in a series of GAO reports examines SSA's current operations and its preparations for the future. GAO concludes that if SSA cannot establish the necessary long-range plans, efficiently manage computer-systems modernization, address work-force needs, and control its finances, it risks significant deterioration in its ability to serve the public efficiently and effectively. GAO summarized this report in testimony before Congress; see:

Social Security Administration: SSA Needs to Act Now to Assure World-Class Service, by Jane L. Ross, Associate Director for Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-94-46, Oct. 28 (10 pages).

Information Management

Environmental Protection: EPA's Plans to Improve Longstanding Information Resources Management Problems

GAO/AIMD-93-8, Sept. 16 (20 pages).

The Environmental Protection Agency (EPA) has several longstanding information resources management (IRM) problems that have harmed many of its program operations. These problems include an inadequate strategic IRM planning process, lack of sound data management practices, and the absence of effective top management direction and oversight. EPA acknowledges these problems and plans corrective actions. First, it intends to implement a strategic planning process for the direction, control, and coordination of IRM resources. Second, EPA plans to provide users with better access to data from multiple information systems. Finally, EPA intends to strengthen the agency's IRM steering committee and beef up oversight. Although these efforts seem promising, full implementation is not expected for years. Moreover, program office participation in these plans is often limited, and EPA lacks an executive who can devote full-time attention to IRM issues. As a result, EPA's effort to resolve longstanding IRM problems are unlikely to be successful.

International Affairs

Foreign Assistance: Improvements Needed in AID's Oversight of Grants and Cooperative Agreements

GAO/NSIAD-93-202, Sept. 17 (60 pages).

The Agency for International Development (AID) distributes project money mainly through direct contracts, host country-awarded contractors, and grants and cooperative agreements. Specific support grants and cooperative agreements are intended to support clearly defined programs established or proposed by the recipients. During fiscal year 1991, AID had nearly \$5 billion in such grants with about 900 private voluntary groups, educational institutions, and other nonprofit organizations. GAO examined

AID missions in Bolivia, Egypt, El Salvador, and Indonesia to see whether AID had effective control and procedures to (1) maximize competition in grant awards, (2) ensure proper use of grant funds, and (3) monitor grantee performance.

Testimony

Export Promotion: Governmentwide Plan Contributes to Improvements, by Alan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before for the Subcommittee on Rural Enterprises, Exports, and the Environment, House Committee on Small Business. GAO/T-GGD-94-35, Oct. 26 (16 pages).

This testimony discusses the federal strategic plan to promote exports that was issued last month by the interagency Trade Promotion Coordinating Committee. GAO's initial assessment of the strategic plan, "Toward a National Export Strategy," is that it represents a big step toward implementing the requirements of the Export Enhancement Act of 1993. The report notes some potentially significant changes that have resulted from the Trade Promotion Coordinating Committee's deliberations to date. The plan clearly commits the administration to completing the difficult job of setting governmentwide priorities and creating a unified budget for federal export promotion activities within the fiscal year 1995 budget.

Foreign Military Aid to Israel: Diversion of U.S. Funds and Circumvention of U.S. Program Restrictions, by Richard C. Stiener, Director of the Office of Special Investigations, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-OSI-94-9, Oct. 27 (36 pages).

Pratt & Whitney, an American jet engine manufacturer, should have known or strongly suspected that Israeli officials and others were siphoning off millions of dollars in U.S. funds meant for the Israeli military. GAO testified that about \$12.5 million in U.S. funds was diverted from 1986 to 1991 as part of an overpricing scheme run by former Israeli Air Force Brigadier General Rami Dotan and others. By the time Dotan was arrested in October 1990, Pratt & Whitney had steered nearly \$6.5 million to two of its small subcontractors in New Jersey—Yrretco and Air Tech—although the work they did was worth less than \$600,000. Pratt & Whitney had many indications that the contracts directed to Yrretco and Air Tech were grossly overpriced and that those companies were closely tied to the Israeli Air Force. Although the Israeli government knew of such problems as early as 1987, significant new program controls were not established

until 1990, after evidence arose that Dotan was accepting bribes. Further, U.S. government oversight still cannot guarantee effective oversight of subcontractors, that contractors actually provide the goods and service paid for, or that sole-source purchasing is justified.

Justice and Law Enforcement

The Drug War: Columbia Is Undertaking Antidrug Programs, but Impact Is Uncertain

GAO/NSIAD-93-158, Aug. 10 (54 pages).

In the three years since the Andean Strategy was announced, Colombia has actively thrown its support behind U.S. counternarcotics objectives. It has applied pressure against drug-traffickers through police and military operations, and drug trafficking by the Medellin cartel has been disrupted. The overall effectiveness of Colombia's efforts and U.S. programs is unclear, however, because U.S. officials lack the data needed to make such an assessment. Various obstacles have hindered the effectiveness of U.S. efforts in Colombia, including the limited ability of some Colombian agencies to mount effective programs, increased insurgency and narcoterrorism, expansion of the cartels into heroin, corruption in the Colombian government, and the lack of effective antidrug programs in other countries. Various U.S. management problems have also helped to hamstring antidrug programs in Colombia, ranging from State Department cuts in funding for military and law enforcement programs to poor coordination among U.S. agencies to inventory and financial weaknesses. U.S. officials cannot guarantee that U.S. policies on aid uses and human rights are being met. GAO summarized this report in testimony before Congress; see:

The Drug War: Colombia Is Implementing Antidrug Efforts, but Impact Is Uncertain, by Joseph E. Kelley, Director of International Affairs Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-94-53, Oct. 5 (13 pages).

Drug Control: Heavy Investment in Military Surveillance Is Not Paying Off

GAO/NSIAD-93-220, Sept. 1 (40 pages).

Although the Pentagon has significantly expanded U.S. monitoring and detection of cocaine smugglers, this expanded capability has come with a hefty price tag and has yet to reduce the flow of cocaine onto American streets. The portion of the federal drug budget earmarked for military surveillance has quadrupled during the past five years, without measurable goals or results to show that the increases were warranted. Decisionmakers have lacked critical information needed to assess the costs and benefits of military surveillance. The nation's continuing failure to reduce the cocaine flow is not an indictment of DOD's surveillance efforts. But in the absence of measurable goals for DOD's mission, the fact that cocaine remains affordable and readily available in the United States strongly suggests that surveillance is not producing results commensurate with its costs. GAO summarized this report in testimony before Congress; see:

Drug Control: Expanded Military Surveillance Not Justified by Measurable Goals or Results, by Louis J. Rodrigues, Director of Systems Development and Production Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-94-14, Oct. 5 (nine pages).

**Drug Control:
Reauthorization of the Office of National Drug Control Policy**

GAO/GGD-93-144, Sept. 29 (100 pages).

Although the Office of National Drug Control Policy (ONDCP) has reported a drop in casual drug use, no indication exists that progress has been made on the second front of the drug war—the fight against hard-core drug use. ONDCP, if reauthorized, must do a better job of assessing progress being made under the national drug control strategies. Also, ONDCP and the federal drug control agencies need to cooperate more to develop, assess, and coordinate national drug control policy. In particular, ONDCP and the Department and Health and Human Services (HHS) have had major disagreements over the collection of drug data, and ONDCP has threatened to withhold clearance of drug surveys to obtain HHS compliance with ONDCP requests—a move that GAO considers inappropriate. The three-tiered budget review and certification process envisioned by the Anti-Drug Abuse Act of 1988 has proven impractical. Because of staff constraints and other factors, ONDCP has limited its reviews mainly to agency budgets and has only selectively certified program-level budgets. The Pentagon submits its drug budget to ONDCP but does not provide a breakdown of separate

“agency” drug budgets, making budget comparison among agencies difficult. Because of the continuing need for a central planning agency to lead and coordinate the nation’s drug control efforts, GAO concludes that ONDCP should be reauthorized. GAO summarized this report in testimony before Congress; see:

Drug Control: Reauthorization of the Office of National Drug Control Policy, by Henry R. Wray, Director of Administration of Justice Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-GGD-94-7, Oct. 5 (29 pages).

Testimony

Drug Use Measurement: Strengths, Limitations, and Recommendations for Improvement, by Frederick Mulhauser, Assistant Director for Program Evaluation and Methodology, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-PEMD-94-4, Oct. 5 (20 pages).

This testimony, based on a June 1993 GAO report (GAO/PEMD-93-18), examines three nationally prominent drug use studies: the National Household Survey on Drug Abuse, the High School Senior Survey, and the Drug Use Forecasting study of booked arrestees. GAO discusses the studies’ findings; the degree of confidence one can have in these findings; and how drug use measurement studies could be improved, with a particular focus on high-risk populations.

U.S. Forest Service: Independence Still Lacking in Law Enforcement Organization, by Richard C. Stiener, Director of the Office of Special Investigations, before the Subcommittee on Civil Service, House Committee on Post Office and Civil Service. GAO/T-OSI-94-1, Oct. 5 (23 pages).

Allegations recently came to GAO’s attention that program line managers in the U.S. Forest Service’s law enforcement area had frequently “interfered” with investigations and that law enforcement personnel were sometimes put in the position of having to investigate their superiors, making them vulnerable to management reprisal. GAO concludes that the Forest Service’s efforts so far to achieve an independent law enforcement structure are destined to fail. Forest Service management’s conflicting signals and indecisiveness have resulted in interference with law enforcement efforts and fear of reprisal on the part of law enforcement employees. GAO believes that the problems could best be overcome with a

direct supervisory chain of command and integration of the Forest Service's land, resource, and law enforcement functions.

Prisoner Labor: Perspectives on Paying the Federal Minimum Wage, by Lynn H. Gibson, Associate General Counsel, before the Senate Committee on Labor and Human Resources. GAO/T-GGD-94-8, Oct. 28 (17 pages).

If the Federal Bureau of Prisons and the four state prison systems GAO visited—Arizona, Florida, Nevada, and Virginia—had to pay the minimum wage to prisoners and did so without reducing the number of inmate hours worked, their tab for inmate labor could total hundreds of millions of dollars more each year. These prison systems generally consider minimum wage for prisoners as unaffordable, even if substantial user fees, such as charges for room and board, were billed to inmates. Prison officials cited large-scale cutbacks in inmate labor as a likely and, in their view, dangerous consequence of having to pay minimum wages. They believe that less inmate work would translate into more idle time, increased opportunities for violence and misconduct, and decreases in routine prison maintenance. On the other hand, some organizations, believing that prison work experiences should reflect those in the general public, view inmate pay differently. Some groups also believe that by not paying inmates minimum or prevailing wages, prison industries have an unfair competitive edge and displace private sector workers.

National Defense

1994 DOD Budget: Potential Reductions to the Operation and Maintenance Programs

GAO/NSIAD-93-295BR, Sept. 16 (58 pages).

In reviewing the military services' operation and maintenance budget requests for fiscal year 1994, GAO identified potential reductions and rescissions totaling about \$6.7 billion. The potential reductions cover a variety of functions, everything from spare and repair parts to underseas surveillance and counter-drug efforts. The main reasons for the reductions include the following: An excessive amount of funds remained unobligated from prior years' appropriations. The budget request for fiscal year 1994 included an amount anticipating congressional cuts. The amount of funding that the services expect to receive from other countries was not offset against the fiscal year 1994 budget request. The services implemented cost-saving recommendations for improving inventory management that are not reflected in the fiscal year 1994 budget request.

Factors affecting the requested budget amounts changed from the time the budget requests were submitted, and these changed factors reduced the amount of funds needed. The services expect to spend less than the amount of funds requested for the specific purposes used to justify the budgeted amount.

**Air Force Academy:
Gender and Racial Disparities**

GAO/NSIAD-93-244, Sept. 24 (62 pages).

As part of an ongoing series of GAO reports on the treatment of women and minorities at the three service academies, this report deals with disparities at the Air Force Academy. GAO discusses (1) differences in performance indicators between men and women and between whites and minorities, (2) cadets' perceptions of the fairness of the treatment that female and minority cadets receive, and (3) actions that the Academy has taken to enhance the success of women and minorities at the Academy.

**Military Downsizing:
Balancing Accessions and Losses Is Key to Shaping the
Future Force**

GAO/NSIAD-93-241, Sept. 30 (48 pages).

Although the military services have significantly reduced accession levels over those of previous years, they are also recruiting large numbers of personnel to better ensure a balanced force across the various pay grades and skill areas. Congress has prescribed reduction targets and provided other guidance to the Pentagon to facilitate downsizing, minimize involuntary separations, and preserve a balanced force. This report examines the Defense Department's (DOD) adherence to congressional guidance and authorization in military downsizing. GAO discusses (1) what progress DOD has made toward meeting reduction targets, (2) how downsizing actions are affecting new recruiting or accessions, (3) what range of voluntary and involuntary reduction actions are being taken to meet downsizing objectives, (4) how downsizing is being accomplished across various groupings of officer and enlisted personnel by years of service and how this is affecting future force profiles, and (5) what issues might be important to future reduction decisions.

**Army Force Structure:
The Relocation of the 513th Military Intelligence Brigade**

GAO/NSIAD-94-15, Oct. 7 (nine pages).

The Army based its decision to relocate the 513th Military Intelligence Brigade to Fort Gordon, Georgia, on operational considerations, although GAO notes that the Brigade's current location in Fort Monmouth, New Jersey, could also meet the 513th's wartime deployment requirements. The Fort Gordon site should boost unit training opportunities since it has many more open training areas and on-post firing ranges. Since 1982, the Army has invested about \$11 million in facilities and other projects supporting the 513th's operations at Fort Monmouth. The Army expects the relocation of the 513th to Fort Gordon to yield savings in construction and renovation costs, housing and cost-of-living allowances, and training expenses. Moving 513th units from Fort Monmouth to Fort Gordon should have no effect on the missions of either the 513th or other groups that will stay at Fort Monmouth—the Army's Communications-Electronics Command and the FBI's regional computer facility.

**Missile Development:
TSSAM Production Should Not Be Started as Planned**

GAO/NSIAD-94-52, Oct. 8 (eight pages).

Under development for seven years at a cost of nearly \$15 billion, the Tri-Service Standoff Attack Missile (TSSAM) program is developing a low observable, medium-range cruise missile for the Air Force, Army, and Navy. The program has been plagued by development problems, cost growth, and schedule delays. GAO concludes that the TSSAM system has yet to prove its ability to work under operational conditions. Major critical subsystems continue to be beset by technical problems, which have delayed the flight test program. Development problems, testing delays, and reduced quantities of missiles planned for production have boosted the unit cost of the TSSAM system even though cost-reduction measures have trimmed the size of the development program. The Air Force requested nearly \$196 million in fiscal year 1994 to fund the combined effects bomblets variant but has no plans to finish testing the missiles before starting production. GAO recommends that TSSAM production be stopped until all critical pieces of the bomblet variant have been developed and adequately tested, including both the hardware and software. GAO also recommends that the performance of the TSSAM be tested under realistic

conditions and include all the required software needed to operate the missile.

**Air Force Logistics:
Some Progress, but Further Efforts Needed to Terminate
Excess Orders**

GAO/NSIAD-94-3, Oct. 13 (26 pages).

In response to earlier GAO recommendations, the Air Force has been increasing its terminations of excess material orders. Terminations rose to 47 percent in fiscal year 1991 alone (\$676 million of \$1.4 billion). Although the Air Force has made great strides, opportunities for improvements and economies still exist. The Air Force is missing potential terminations—\$126 million worth in one quarter GAO reviewed—because it is using an unjustified six-month level of stock above item requirements as a buffer in computing termination levels for consumable items. In addition, weaknesses in policies and practices have caused some orders not to be terminated when it was economical to do so, and others to be terminated when it was uneconomical. Finally, the Air Force is not making use of the increased availability of deobligated funds from contract terminations to cut its annual budget. As a result, the Air Force is overstating its annual funding needs.

**Joint Military Operations:
DOD's Renewed Emphasis on Interoperability Is Important but
Not Adequate**

GAO/NSIAD-94-47, Oct. 21 (38 pages).

GAO has for years been reporting on the Pentagon's efforts to achieve command, control, and communications systems interoperability—the ability of systems, units, or forces to exchange services, enabling them to work together effectively. This report discusses the Defense Department's (DOD) efforts to overcome persistent interoperability problems. GAO focuses on system (equipment) and operational (doctrine, tactics, procedures, and training) interoperability associated with command, control communications, computers, and intelligence.

Testimony

Overhead Costs: Unallowable and Questionable Costs Charged by McDonnell Douglas Corporation, by David E. Cooper, Director of Acquisition Policy, Technology, and Competitiveness Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-NSIAD-94-60, Oct. 13 (19 pages).

GAO testified that \$1.6 million of the \$2.3 million in overhead costs that McDonnell Douglas Corporation tried to bill the government for was either unallowable or questionable. This amount includes charges for liquor, golf outings, symphony tickets, and public relations and lobbying activities. GAO also questions a \$1.3 million charge for the quarterly distribution of more than 100,000 copies of a corporate videotape. In particular, McDonnell Douglas tried to write off the costs of the notorious 1991 Tailhook convention. McDonnell Douglas executives on travel have been getting around the government's cap on meal reimbursements by charging the meals as a business conference expense. One breakfast at a Washington D.C. hotel, for example, was described as a "Glass Ceiling Task Force Meeting." GAO also questions more than \$100,000 billed for employee recreation clubs, such as the Beer Can Collectors Club. Although McDonnell Douglas' controls for spotting unallowable costs clearly need to be beefed up, the larger issue remains the reasonableness of the costs that taxpayers should have to bear. For example, when contractor employees are on travel, why should they not have to abide by the maximum allowance spelled out by the General Services Administration?

Natural Resources

Federal Lands: Improvements Needed in Managing Short-Term Concessioners

GAO/RCED-93-177, Sept. 14 (36 pages).

Nationwide, about 6,000 short-term agreements (of five years or less) exist under which concessioners provide goods and services to the public on federal land. The services they provide include sightseeing tours and guided fishing, hunting, and rafting trips. This is one in a series of reports on concessioners' operations on federal recreation land. GAO reviews the federal government's policy and practices for (1) evaluating short-term concessioners' overall performance; (2) ensuring that short-term concessioners comply with federal, state, and local health and safety laws and regulations; (3) ensuring the reasonableness of the prices charged to

the public by short-term concessioners; and (4) setting fees for the use of federal land by short-term concessioners.

**Bureau of Reclamation:
Unauthorized Recreation Facilities at Two Reclamation Projects**

GAO/RCED-93-115, Sept. 16 (25 pages).

GAO concludes that the Department of the Interior exceeded authorized spending limits when it built recreation facilities at both the Boise Project, a series of reservoirs providing irrigation, hydroelectric power, and flood control in Idaho, and the Minidoka Project, a dam and reservoir located in Idaho and Wyoming. The recreation facilities include recreational vehicle and tent campsites, group picnic shelters, trails, and paved roads and parking lots. Plans are also under way to build a marina complex and a visitor center. In addition, Reclamation has not entered into all of the required cost-sharing agreements with nonfederal entities. As a result, the taxpayers and users of Bonneville hydroelectric power have picked up much of the tab to run the facilities, rather than those who have benefitted from them. Reclamation has avoided congressional scrutiny of the costs to build the recreation facilities by identifying them as minimum public health and safety facilities. In GAO's view, Reclamation should be forced to comply with the law or obtain specific congressional authorization to continue running the facilities at taxpayers' expense.

**Federal Land Management:
Status and Uses of Wilderness Study Areas**

GAO/RCED-93-151, Sept. 23 (104 pages).

In response to congressional concerns about the alleged degradation of areas being considered for possible inclusion in the National Wilderness Preservation System, this report provides information on the types and effects of activities in these areas, which are managed by the Bureau of Land Management and the Forest Service. GAO discusses (1) the legislative guidance and the agency policies governing wilderness study area management, (2) various activities and uses occurring in the agencies' study areas, (3) ways these activities affect the areas, and (4) agency actions to monitor and restrict these uses and to repair resulting damage. Congress has allowed many different uses, such as primitive recreation and grazing, to occur in these areas. In the locations GAO visited, the effects and damage seemed to be concentrated in relatively small and

accessible areas. Because people have various views on "wilderness," they will also have different opinions about the severity of "man's imprint" on potential and designated wilderness. The final decision about an area's suitability for wilderness ultimately rests with Congress.

**Endangered Species:
Public Comments Received on Proposed Listings**

GAO/RCED-93-220BR, Sept. 30 (23 pages).

One issue likely to be debated during the reauthorization of the Endangered Species Act is whether a scientific peer review is needed of decisions to list species as endangered and threatened under the act. The act requires that these decisions be based on the best available scientific and commercial data, and peer review has been suggested as a way to ensure this. This briefing report provides information on the public comments that were provided in response to species' being proposed for listing, the extent and nature of questions raised about the biological basis for the proposed listings, and the frequency of public hearings on proposed listings. GAO also discusses the number of petitions to list, delist, or reclassify species that the Fish and Wildlife Service found not merited.

**Department of the Interior:
Transfer of the Presidio From the Army to the National
Park Service**

GAO/RCED-94-61, Oct. 26 (14 pages).

The proposed uses of the Presidio Army Post under the Park Service's preferred alternative are generally consistent with the goal of creating a Golden Gate National Recreation Area. The extent to which the costs to rehabilitate the Presidio's buildings and run the Presidio will be offset by tenant payments and philanthropic donations, however, is unknown. Thus, the level of future annual appropriations needed to manage the Presidio cannot be estimated with any certainty at this time. Given the costs and the potential impact of the Presidio's rehabilitation on the Park Service's deferred maintenance and reconstruction backlog, close oversight by the Department of the Interior and Congress is warranted. In addition, once an alternative for managing the Presidio is decided upon, the Park Service needs to establish a plan that will (1) prioritize the objectives, (2) identify their associated costs and funding sources, and (3) estimate their

completion dates. GAO summarized this report in testimony before Congress; see:

Department of the Interior: Transfer of the Presidio From the Army to the National Park Service, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on National Parks, Forests and Public Lands, House Committee on Natural Resources. GAO/T-RCED-94-64, Oct. 26 (11 pages).

Testimony

Water Resources: Corps' Management of Reservoirs in the Missouri River Basin, by James Duffus III, Director of Natural Resources Management Issues, before the Senate Committee on Environment and Public Works. GAO/T-RCED-94-43, Oct. 11 (six pages).

This testimony focuses on the U.S. Army Corps of Engineers' management of the Missouri River reservoir system under drought conditions during 1989-90. GAO concludes that the Corps acted consistently with its drought contingency plan in releasing water from the reservoir system during the three-year period and that all of the purposes served by the reservoirs, except flood control, were harmed. The plan does not reflect current economic conditions in the Missouri River Basin. Contrary to the Corps' beliefs, federal statutes do not require the Corps to give recreation a lower priority than other project purposes—flood control, navigation, irrigation, and hydroelectric power—in deciding on water releases. Congress should consider legislation that would require the Corps to set priorities for operating its reservoir projects on the basis of the economic, environmental, social, and other benefits of all authorized purposes.

Ocean Research Vessels: NOAA Fleet Modernization Plan, by John H. Anderson, Jr., Associate Director for Natural Resources Management Issues, before the Subcommittee on Oceanography, Gulf of Mexico, and the Outer Continental Shelf, House Committee on Merchant Marine and Fisheries. GAO/T-RCED-94-52, Oct. 21 (nine pages).

The National Oceanographic and Atmospheric Administration's (NOAA) \$1.9 billion fleet modernization plan calls for acquiring 24 new or refurbished vessels during a 15-year period. Several reports, including those from GAO and the Department of Commerce, have encouraged NOAA to use more private sector ship services to cut costs. So far, however, NOAA has used contracting on a very limited basis, and its fleet modernization plan makes few provisions for vessel contracting. NOAA needs to

experiment with contracting and leasing options to determine whether the private sector can effectively meet NOAA's mission requirements. In experimenting with contracting, NOAA will need to grant contractors flexibility in how they do the work so that NOAA obtains the cost and operational data it needs to determine the extent that contracting can meet mission needs.

Science, Space, and Technology

NASA Property: Improving Management of Government Equipment Provided to Contractors

GAO/NSIAD-93-191, Sept. 9 (57 pages).

NASA has provided its contractors with billions of dollars worth of government property for them to use in research and development, production, and service contracts. The value of government property, especially general purpose equipment, provided to contractors has soared in recent years, despite government policies designed to minimize this practice. This report determines (1) NASA's compliance with federal regulations intended to minimize the amount of government-owned, contractor-held general purpose equipment; (2) the effectiveness of government and contractor controls over equipment; and (3) the adequacy of NASA's reporting of this equipment.

Testimony

NASA: Major Challenges for Management, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-94-18, Oct. 6 (23 pages).

Several fundamental management challenges face NASA, including the need to bring plans in line with likely budgets, manage systems development efforts more effectively, improve operations and oversight, and preserve U.S. aeronautical leadership. GAO notes that NASA has been operating in a decentralized fashion, with its field centers having considerable latitude in many areas, including the award and administration of almost all of the agency's contracts. For this approach to be effective, headquarters must set clear expectations and carefully monitor and measure the centers' management of their own activities, as well as those of NASA's contractors. Although top NASA management seems committed to improvement, delivering on it will require new and improved management systems as

well as perseverance and strong leadership to overcome ingrained attitudes and resistance to change. Continuous vigorous oversight will be needed to ensure an affordable and effective NASA.

Technology Transfer: Improving Incentives for Technology Transfer at Federal Laboratories, by Jim Wells, Associate Director for Energy and Science Issues, before the Subcommittee on Science, Technology and Space, Senate Committee on Commerce, Science and Transportation. GAO/T-RCED-94-42, Oct. 26 (nine pages).

GAO supports the provisions of the Technology Commercialization Act of 1993, which would increase the up-front royalty payments to investors and limit the amount of remaining income that can be used for nonscientific purposes. GAO believes that these measure should stimulate federal scientists' interest in reporting inventions and spur federal laboratory directors to encourage technology transfer. Although GAO is uncertain what the impact would be of assigning title to intellectual property to Cooperative Research and Development Agreement collaborators, industry representatives told GAO that ownership and control over technology is important to developing new products. In addition, procedural impediments, such as the lack of ready access to advice on patenting inventions or the slow and arbitrary nature of selecting inventions to patent, continue to diminish incentives for technology transfer at federal laboratories.

Tax Policy and Administration

Corporate Taxes: Many Benefits and Few Costs to Reporting Net Operating Loss Carryover

GAO/GGD-93-131, Sept. 23 (50 pages).

This report provides information on corporate net operating losses, which take place when allowable deductions exceed gross income for a tax year. Within limits, tax law allows taxpayers to carryover such losses to offset profit reported in other tax years. Specifically, the carryover amount can be used as a net operating loss deduction to reduce or fully offset tax liability. GAO (1) estimates the amount of corporate net operating loss carryovers from past years, (2) evaluates Internal Revenue Service (IRS) taxpayer instructions on how to use such loss carryovers, (3) analyzes an IRS proposal to modify corporate tax returns to include the reporting of loss carryover amounts, and (4) analyzes IRS' enforcement efforts on

corporate net operating losses and net operating loss deductions reported by corporations. GAO also provides statistics on such subjects as net operating loss carryover by industry and the highest deduction items contributing to these losses.

Transportation

Transportation Infrastructure: Better Tools Needed for Making Decisions on Using ISTEA Funds Flexibly

GAO/RCED-94-25, Oct. 13 (42 pages).

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 offers states and localities unprecedented opportunities to use federal highway and mass transit funds across modal lines. About \$80 billion of the \$155 billion authorized by the act for the six-year period ending in fiscal year 1997 can be used to underwrite either highway; mass transit; or nontraditional projects, such as high occupancy vehicle lanes. The flexibility allowed under the act will be critical as states and localities begin tackling highway congestion, air pollution, and investing in highway and mass transit infrastructure. This report evaluates the (1) extent to which states and localities have used the act's highway and mass transit capital funds flexibly to finance different types of projects; (2) factors that have influenced the flexible use of the act's funds; and (3) adequacy of analytical tools in deciding on transportation investments. GAO summarized this report in testimony before Congress; see:

Transportation Infrastructure: Implementation of Funding Flexibility Under ISTEA and Use of Transportation Control Measures, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-94-50, Oct. 14 (22 pages).

Testimony

Aircraft Certification: FAA Can Better Meet Challenges Posed by Advances in Aircraft Technologies, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-94-53, Oct. 20 (14 pages).

The aviation industry has witnessed rapid advances in aircraft technology since the 1980s, and the future holds the promise for even more changes, such as electronic systems that will sense the environment and control the

plane. The Federal Aviation Administration (FAA) will be challenged to certify these technologies and ensure the safety of the flying public. A 1980 National Academy of Sciences study found that the competency of FAA certification staff lagged far behind that of engineers in the industry they regulated. Since 1980, FAA has not provided its staff with the guidance, expert assistance, and training needed to boost the staff's competence. Although FAA has tried to beef up its training program and reduce its high staff turnover, GAO testified that FAA will need to do more. Specifically, FAA must (1) better define its role in the process, (2) improve its use of in-house experts, (3) establish specific training requirements, and (4) keep its training as current as possible.

Veterans Affairs

VA Health Care: Labor Management and Quality-of-Care Issues at the Salem VA Medical Center

GAO/HRD-93-108, Sept. 23 (45 pages).

In April 1993, the bodies of two patients were found on the grounds of the VA Medical Center in Salem, Virginia, and allegations were made about poor-quality patient care due to nursing shortages, employees' stress, and poor staff morale. GAO found that the center's new medical director is restoring both staff and public confidence in the facility's management and has started to deal with quality-of-care issues. He has addressed many of the labor-management issues confronting the facility and is trying to overcome nurse staffing shortages that have harmed the quality of care being provided. But more needs to be done. Nurse staffing shortages continue, medical records are incomplete, some psychiatrists are not seeing their patients regularly, and some psychiatrists and nurses are shirking essential duties, such as taking patient histories upon admission, assessing patient needs, and providing discharge planning before a patient is released. In addition, the center's quality assurance program could stand improvement. Management should ensure that this program objectively and systematically monitors and continuously improves the quality and appropriateness of services delivered.

VA Health Care: Medical Care Cost Recovery Activities Improperly Funded

GAO/HRD-94-2, Oct. 12 (28 pages).

Before 1990, the 158 medical centers run by the Department of Veterans Affairs (VA) used medical care appropriations to finance the recovery of health care costs from veterans or third parties. In November 1990, Congress established a Medical-Care Cost Recovery Fund to finance all recovery expenses related to collecting the cost of medical care and services provided by VA. This report examines whether medical centers were using only the fund to underwrite cost recovery activities. GAO also reviews VA's efforts to improve the efficiency of its recovery activities.

**VA Health Care:
Restructuring Ambulatory Care System Would Improve Services
to Veterans**

GAO/HRD-94-4, Oct. 15 (66 pages).

Veterans are experiencing lengthy delays when receiving medical care at the approximately 200 outpatient facilities run by the Department of Veterans Affairs (VA). Veterans often wait up to three hours before being examined by a doctor in VA's emergency/screening clinics. In addition, veterans wait an average of eight to nine weeks for an appointment in specialty clinics, such as those for cardiology or orthopedics. Inefficient operating procedures are the main cause of these delays. President Clinton has called for VA to compete with other providers in meeting the health care needs of veterans. To be a viable competitor, VA needs to quickly restructure its outpatient care delivery system to provide more timely ambulatory services. The establishment of telephone assistance networks and appointment scheduling systems, for example, would help in the case of veterans with nonurgent conditions. GAO summarized this report in testimony before Congress; see:

Veterans Affairs: Service Delays at VA Outpatient Facilities, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans Affairs. GAO/T-HRD-94-5, Oct. 27 (eight pages).

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Nuclear Waste: Overhead Costs at the Department of Energy's Savannah River Site GAO/RCED-94-13FS, Oct. 25.

DOE Management: Funds for Maintaining Contractors' Operations Could Be Reduced and Better Controlled GAO/RCED-94-27, Oct. 25.

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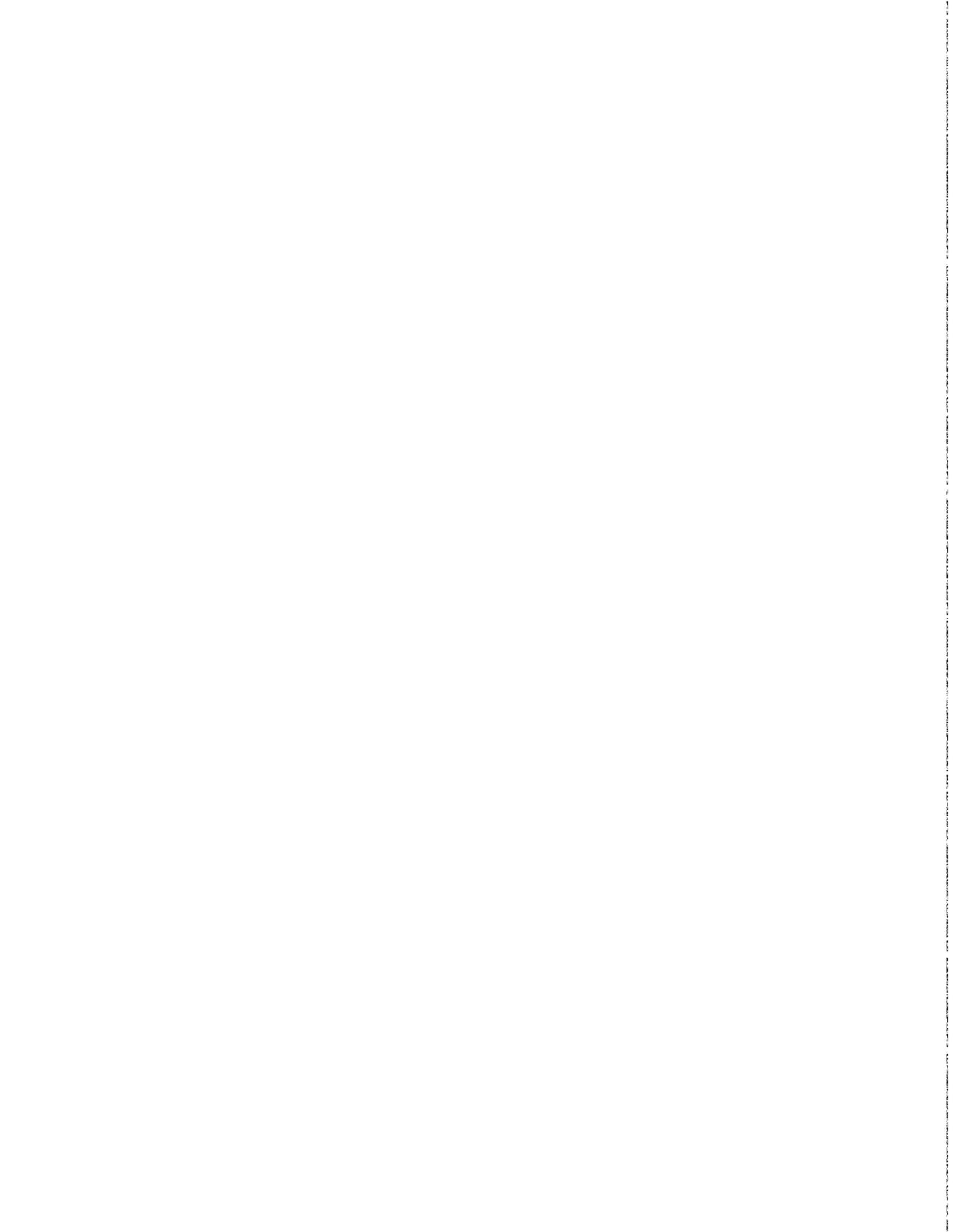
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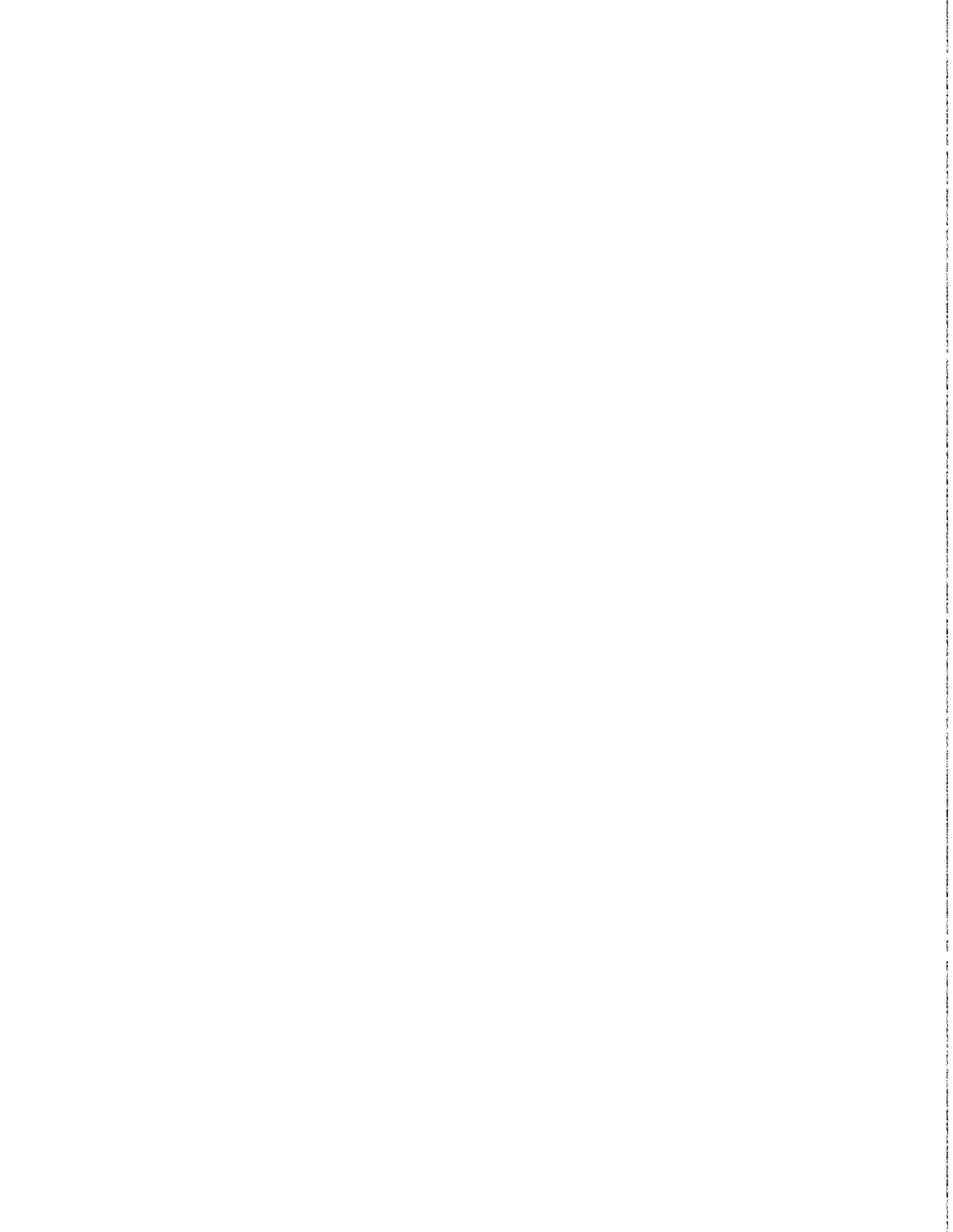
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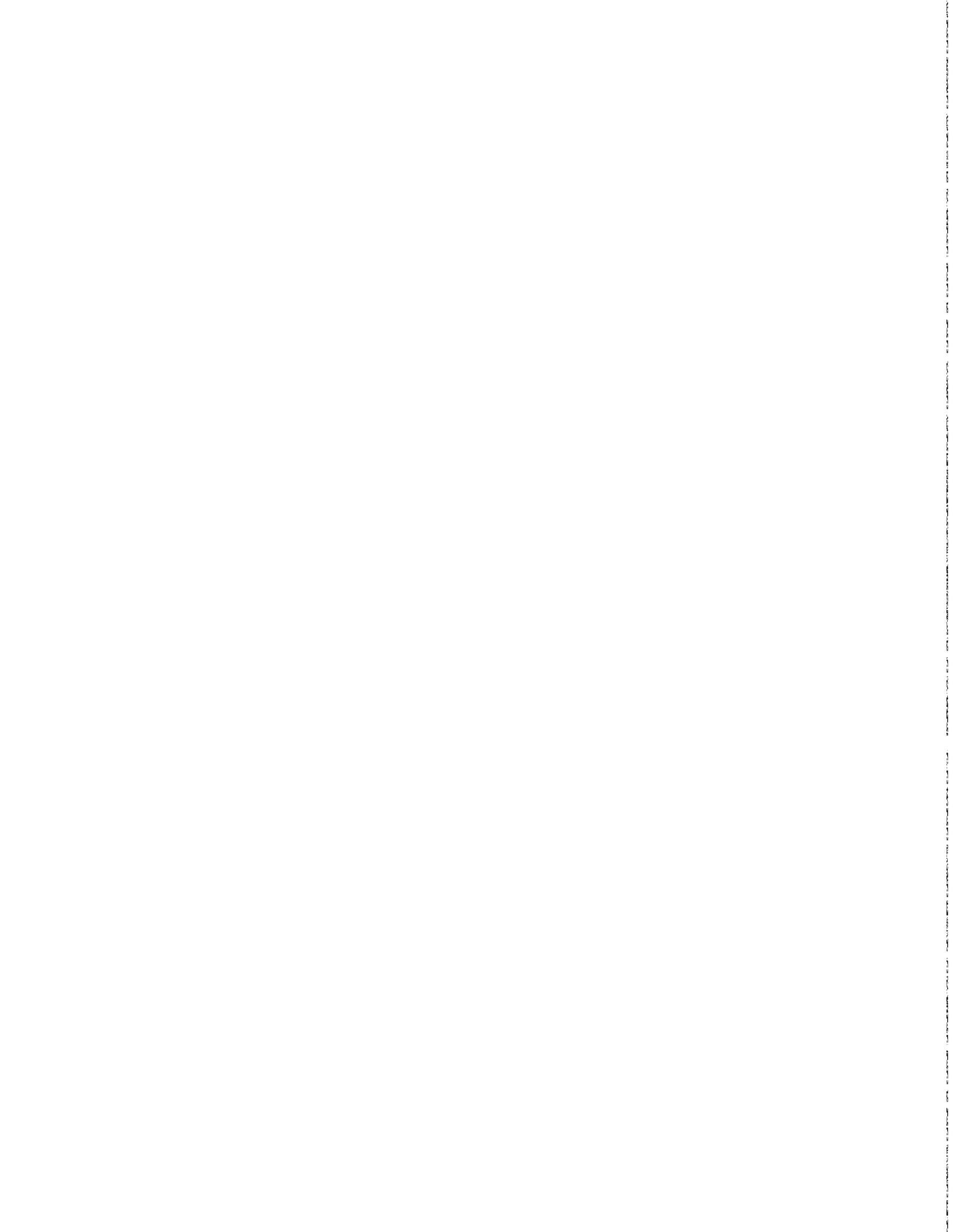
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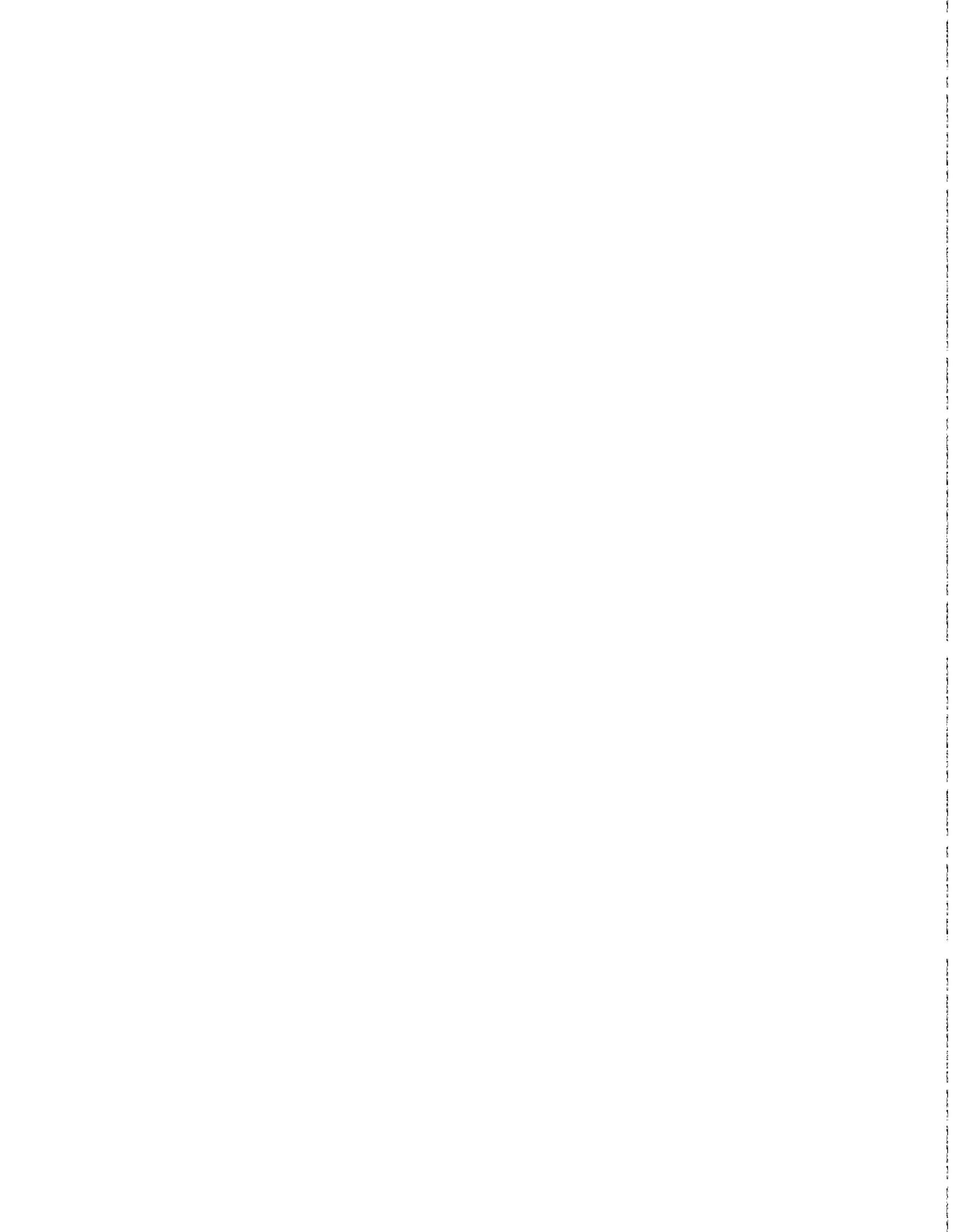
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