
Reports and Testimony: April 1993

Highlights

Drinking Water

An acute funding shortage has crippled the ability of states to monitor the safety of public drinking water, and the problem is compounded by the lack of mandatory federal standards for conducting sanitary reviews. Page 8.

Organ Transplants

Despite a federal law to increase the acquisition and standardize the distribution of transplant organs, patients cannot be assured that organ procurement organizations are making fair allocation decisions on the basis of medical criteria or effectively boosting the organ supply. Page 19.

Defense Industrial Base

The Pentagon's plan to rely mostly on market forces to restructure the defense industrial base is not a realistic strategy for ensuring that government decisions and industry adjustments will result in the industrial and technological capabilities needed to meet future national security requirements. Page 31.

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Reports and Testimony: April 1993

Agriculture and Food

Agricultural Trade: High-Value Product Sales Are Limited in Export Enhancement Program

GAO/RCED-93-101, Apr. 6 (26 pages).

The European Community has become the world's largest exporter of agricultural high-value products, capturing 20 percent of the world's \$160 billion trade in these products during 1990, as compared with the United States' 15.6 percent share. This report (1) identifies factors that limit high-value product sales under the Export Enhancement Program and (2) discusses other U.S. Department of Agriculture (USDA) efforts to increase exports of high-value products. GAO concludes that the program is not a good way to boost sales of these products. Restrictive program guidelines, foreign policy considerations, and cumbersome proposal and bidding processes make it hard to significantly increase the percentage of program bonus awards supporting sales of high-value products. Other USDA programs not bound by the Export Enhancement Program's restrictive guidelines may be in a better position to increase sales. The recently developed Long-Term Agricultural Trade Strategy should help USDA to focus on attaining the best mix of export assistance programs to increase sales.

Grain Inspection: Industry Views on the Decline in Official Inspections and Inspection Costs

GAO/RCED-93-147, Apr. 30 (48 pages).

Because the price of grain varies on the basis of its grade and weight, inspection and weighing are critical to ensure that grain buyers actually get what they have paid for. Congress, alarmed by widespread abuses in the quality and the quantity of grain delivered in the mid-1970s, passed legislation creating the Federal Grain Inspection Service, which is responsible for weighing and inspecting grain nationwide. This report discusses the (1) decline in official inspections in the domestic grain market and its impact, (2) fees that official inspection agencies charge for official domestic inspections, (3) fees that the Federal Grain Inspection Service charges for export inspections, and (4) ways to reduce inspection fees.

Testimony

Revitalizing USDA: A Challenge for the 21st Century, by Robert A. Robinson, Associate Director for Food and Agriculture Issues, before the Subcommittee on Information, Justice, Transportation, and Agriculture, House Committee on Government Operations. GAO/T-RCED-93-32, Apr. 22 (34 pages).

Since its inception in the 1930s, when small, family-owned farms typified American agriculture, the U.S. Department of Agriculture (USDA) has seen its mission expand to include everything from traditional food production to more cross-cutting issues like rural development and biotechnology. Because agribusiness today is a global enterprise, fundamental change at USDA is essential. This testimony focuses on (1) USDA's need to overcome problems in organizational structure and management systems, (2) recent efforts to streamline USDA, and (3) issues to consider in revitalizing USDA.

Budget and Spending

Impoundments:

Comments on Proposed Deferrals of Timber Salvage Sales and International Disaster Relief Funds

GAO/OGC-93-5, Mar. 30 (three pages).

On February 26, 1993, the President submitted to Congress his third special impoundment message for fiscal year 1993. GAO reviewed the message's three deferrals of budget authority, which involve funds for international disaster assistance and timber salvage sales, and found them to be in accordance with the Impoundment Control Act. GAO notes that the unreported impoundment of budget authority mentioned in GAO's February 1993 letter (GAO/OGC-93-4) is reported in the President's special message.

Impoundments:

Revised Amount of Deferred Budget Authority for Forest Service Brush Removal

GAO/OGC-93-6, Apr. 20 (two pages).

On March 16, 1993, the President submitted to Congress his fourth special impoundment message for fiscal year 1993. GAO reviewed the message, which revises the amount of one deferral of budget authority affecting the Forest Service's brush removal effort, and found it to be in accordance with the Impoundment Control Act. This message corrects the discrepancy

in the amount of deferred budget authority GAO noted in its February 1992 report (GAO/OGC-93-4).

Civil Rights

Affirmative Employment: Assessing Progress of EEO Groups in Key Federal Jobs Can Be Improved

GAO/GGD-93-65, Mar. 8 (71 pages).

Women and minorities in key jobs—positions leading to middle and upper management posts in the federal government—have made substantial progress in their levels of representation, particularly in the upper pay grades. All the minority groups GAO looked at, except for Native American women, were better represented among key jobs in 1990 than they were in 1984. Nevertheless, women and minorities continue to be more prevalent at lower grades. In addition, although the relative numbers of minorities and women employed at grade 15 were quite low, the relative numbers being promoted to that grade were even lower. Further, minority women, especially black women, were separated at a rate that greatly exceeded the rate of new hires, a trend that could erase gains made in the employment of minority women in key federal jobs. The Equal Employment Opportunity Commission (EEOC) disagreed with GAO's approach to data analysis, which computed the ratios of women and minorities to white men. EEOC also believed that the approach would prove too costly and burdensome for it and other agencies to use. In GAO's view, the approach is sound and useful and Congress should consider requiring the periodic application of this analytic technique to affirmative employment data.

Education

School Construction: Sallie Mae Financing Activities

GAO/HRD-93-61, Apr. 13 (36 pages).

Between October 1986 and December 1991, the Student Loan Marketing Association (Sallie Mae) handled 183 transactions totaling \$2 billion to build or renovate facilities at about 150 academic institutions, including both public and private colleges and universities as well as teaching hospitals. The underwritten projects ranged from construction and renovation of classrooms, libraries, and dormitories to purchases of computer equipment and telecommunications systems. Data were

unavailable on proposed projects disapproved by Sallie Mae. Recent legislation restricted Sallie Mae's authority to finance some types of college construction projects and eliminated financing for others. Sallie Mae believes that it would have been unable to finance more than half of the \$2 billion in building projects had the legislation been in effect earlier. Projects that likely would not have qualified for financing included \$59 million for student and faculty housing and \$1 billion for athletic and recreational facilities and teaching hospitals.

**Educational Testing:
The Canadian Experience With Standards, Examinations, and
Assessments**

GAO/PEMD-93-11, Apr. 28 (74 pages).

In 1992, the National Council on Education Standards and Testing proposed a national system of standards and assessments as the cornerstone of an overall approach to improving precollege education. This report examines Canada's experience with large-scale testing programs. GAO applies the following five questions to the Canadian experience: (1) How have educational standards been set, by whom, and at what level? (2) What kinds of tests have been used to assess whether the standards are being met? (3) What kinds of stakes have been attached to tests to ensure that they will be taken seriously? (4) What explicit safeguards have been used to prevent misuse of tests? (5) Have efforts at raising expectations and checking results brought promise of improved teaching and learning?

**Systemwide Education Reform:
Federal Leadership Could Facilitate District-Level Efforts**

GAO/HRD-93-97, Apr. 30 (41 pages).

In spite of the many education reforms that took place during the 1980s, most Americans see the nation's public elementary and secondary schools as average, at best. Few of the nation's students can successfully handle complex reasoning and problem solving, and U.S. student achievement in mathematics and science lags student test scores in other industrial nations. A growing number of educators and policymakers now believe that the best chance to improve student learning involves changing the education system as a whole. Attention is being given to improving student outcomes by determining what students should know and be able to do,

and ensuring that all the key components of the educational system are directed to achieving those outcomes. This report describes how certain school districts across the country have undertaken systemwide reform efforts. In particular, GAO provides information on the relationship of federal education efforts to the experiences of the districts.

Employment

Testimony

The Job Training Partnership Act: Potential for Program Improvements but National Job Training Strategy Needed, by Clarence C. Crawford, Associate Director of Education and Employment Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations. GAO/T-HRD-93-18, Apr. 29 (11 pages).

Title IIA of the Job Training Partnership Act provides job-training and employment-seeking skills to poor people who need training and other labor market services to land jobs. Although the act has been viewed as relatively successful in placing participants in jobs, a recent study raises questions about whether it is as effective as it could be. GAO testified that effective implementation of the 1992 amendments to the act, coupled with more emphasis on program evaluation and a national strategy to eliminate confusion and duplication among the myriad training programs, could make a substantial improvement.

Energy

Energy Management: Improving Cost-Effectiveness in DOE's Support Services Will Be Difficult

GAO/RCED-93-88, Mar. 5 (12 pages).

The Department of Energy (DOE) contracts extensively for a wide variety of support services, including management, administrative, and technical activities. GAO reported in August 1991 (GAO/RCED-91-186) that contracting for this work can cost substantially more than using federal employees. GAO also indicated that many of these contracts had been awarded, not on the basis of comparisons between federal and contract costs, but solely because DOE did not have enough staff to do the work. This report discusses (1) what actions have been taken in response to GAO's earlier

recommendations, (2) obstacles DOE has encountered in trying to improve the cost-effectiveness of support services, and (3) whether steps have been taken to overcome these barriers.

**Energy Conservation:
Appliance Standards and Labeling Programs Can Be Improved**

GAO/RCED-93-102, Mar. 24 (47 pages).

The Department of Energy (DOE) is behind schedule in upgrading energy efficiency standards for household appliances, such as refrigerators, air conditioners, and heat pumps. This has happened because (1) the appliance program's budget has been cut and staffing has remained flat despite an increasing work load and (2) DOE officials generally review proposed standards sequentially, rather than using a faster concurrent review process. The upshot is that U.S. consumers, by continuing to buy less efficient appliances, will spend an estimated \$1.7 billion more on energy costs through 2030 than they would have if DOE had upgraded the standards on time. The Federal Trade Commission's (FTC) labeling program is intended to inform consumers about appliance energy use and costs. Despite concerns voiced by consumers and manufacturers about the accuracy of existing appliance labels, which do not take into account changing energy prices, FTC has not reviewed the format and information content of labels, calling into question the program's effectiveness. To promote compliance with federal efficiency standards and accuracy in labels, DOE and FTC rely largely on voluntary tests done by industry associations. GAO did not determine the extent to which appliances met efficiency standards, but it did discover instances in which pool heaters and refrigerator-freezers fell short of the energy efficiency claims on their labels or were less efficient than the standards required. DOE and FTC do not systematically monitor and investigate compliance with the standards.

**Nuclear Health and Safety:
Corrective Actions on Tiger Teams' Finding Progressing Slower
Than Planned**

GAO/RCED-93-66, Mar. 25 (21 pages).

Since 1989, the Department of Energy (DOE) has used Tiger Teams—groups composed of DOE and contractor experts—to assess DOE facilities' compliance with environment, safety, and health (ES&H) regulations. Although the Tiger Teams have helped establish a baseline of

compliance at major facilities and have raised awareness throughout DOE about the need to improve performance in this vital area, considerable efforts will be needed to fully comply with ES&H requirements and to establish vigorous and formal ES&H programs at DOE. It could take as long as seven years to complete all corrective actions on Tiger Team findings. As a result, DOE needs to continue to work with its field offices on verifying the adequacy of corrective actions. DOE needs to ensure that specific measures of contractor responsiveness to Tiger Team findings are included in all performance evaluation plans.

**Fossil Fuels:
Ways to Strengthen Controls Over Clean Coal Technology
Project Costs**

GAO/RCED-93-104, Mar. 31 (28 pages).

The Department of Energy's (DOE) program for clean coal technology, under way since 1986, has earmarked \$2.75 billion to produce innovative technologies that use coal in a highly efficient, environmentally sound, and economically competitive way. DOE has adequate procedures and has made a good effort to review the reasonableness of industry sponsors' projected costs before projects began. In all but one case, project files contained information on how questionable cost estimates had been resolved. After projects were under way, however, incurred-cost audits were not done promptly to ensure that sponsors submitted only allowable costs for reimbursement. Options exist that could yield more timely audits. DOE could also better protect the government's interest by withholding part of federal project funds until necessary cost records are provided and incurred-cost audits are finished. DOE allows sponsors to include third-party contributions in the sponsors' share of project financing, rather than sharing such contributions with DOE, a practice that increases DOE's investment and financial risk in projects while decreasing the sponsors' investment and risk.

**Environmental
Protection**

**Drinking Water:
Key Quality Assurance Program Is Flawed and Underfunded**

GAO/RCED-93-97, Apr. 9 (38 pages).

One key way of ensuring drinking water quality is the periodic inspection, or sanitary survey, of public water systems. Yet GAO discovered that

sanitary surveys across the country often fall short. Specifically, 45 states omit one or more key survey elements, such as inspection of the water distribution system or review of water system operators' qualifications. In addition, some states do not require documentation to back up inspections and survey results, and surveyors sometimes interpret results inconsistently. GAO reviewed 200 sanitary surveys in four states—Illinois, Montana, New Hampshire, and Tennessee—and found recurring problems with water systems' equipment and management, particularly among small systems. The gap between the needs and available resources of state drinking water programs—estimated in the hundreds of millions of dollars annually—has severely handicapped states' efforts to conduct sanitary surveys. The problem is compounded by the lack of minimum requirements for performing and documenting surveys. The upshot is that a key survey benefit—spotting and correcting problems before they seriously affect water quality—has often not been realized. GAO concludes that effective corrective measures will depend on resolving the acute funding shortage affecting the Environmental Protection Agency's drinking water program. GAO summarized this report in testimony before Congress; see:

Drinking Water: Key Quality Assurance Program Is Flawed and Underfunded, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-RCED-93-31, Apr. 19 (12 pages).

**Air Pollution:
Difficulties in Implementing a National Air Permit Program**

GAO/RCED-93-59, Feb. 23 (34 pages).

Factories, refineries, and other industrial facilities spew out thousands of tons of pollutants each year. Industry is required to obtain operating permits and pay the costs incurred by state air pollution control agencies in approving and administering these permits. The Environmental Protection (EPA) was supposed to issue a permit rule by November 1991 that would govern state permit programs, but disagreement among EPA and other government agencies delayed issuance of the final rule for eight months. This report discusses (1) efforts by EPA and states to start up effective operating permit programs and (2) the adequacy of resources budgeted by EPA to management the permit program and the sufficiency of

permit fees assessed by state agencies to cover the costs of their programs.

**Nuclear Waste:
Hanford's Well-Drilling Costs Can Be Reduced**

GAO/RCED-93-71, Mar. 4 (15 pages).

To clean up radioactive and hazardous wastes at its Hanford Site in Washington state, the Department of Energy (DOE) will sink nearly 900 monitoring wells over the next several years at a cost of more than \$270 million. The wells are designed to provide information on the nature and the extent of soil and groundwater contamination. Recent studies have suggested that DOE could substantially reduce its costs for sinking the wells by using more efficient drilling methods. Although the Hanford Site contractors have implemented many of the recommended cost-saving measures, other actions could further reduce well-drilling costs. These actions include (1) adopting faster and less expensive well-drilling technologies, (2) using the well-drilling program's work force more efficiently, and (3) centralizing the management of the well-drilling program to improve its effectiveness. DOE and the Hanford contractors, however, have made little effort to take advantage of these opportunities.

**Nuclear Waste:
Connecticut's First Site Selection Process for a Disposal Facility**

GAO/RCED-93-81, Apr. 5 (36 pages).

Connecticut, like all other states, is required to dispose of commercial low-level radioactive waste generated within its borders. Because Connecticut is highly developed and densely populated, however, the search for an appropriate disposal site has been lengthy. The process has been further delayed by opposition from citizens groups, as well as a directive from the state legislature requiring the state siting authority to restart the site screening process. This report reviews Connecticut's first effort to develop a low-level radioactive waste disposal facility, including opportunities for public involvement, and compares the incentives that Connecticut will offer to potential host communities with the incentives offered by other states.

**Wetlands Protection:
The Scope of the Section 404 Program Remains Uncertain**

GAO/RCED-93-26, Apr. 6 (89 pages).

The environmental benefits of swamps, marshes, and bogs—long considered fit only for draining and filling—are increasingly recognized today. Wetlands provide vital habitat for wildlife as well as improve water quality and control soil erosion. How to protect these areas has become a major regulatory issue in the 1990s. Under the Section 404 program, the U.S. Army Corps of Engineers is in charge of granting permits to anyone wanting to dredge and fill in navigable waters, including wetlands. GAO made several suggestions in a July 1988 report (GAO/RCED-88-110) on how the Corps could improve program management. This report discusses (1) the extent to which the Corps has acted on GAO's recommendations, (2) legislative and other developments that have occurred since the 1988 report that affect the program, and (3) the extent to which budgetary constraints have affected program administration.

Testimony

Superfund: Progress, Problems, and Reauthorization Issues, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-93-27, Apr. 21 (31 pages).

The Superfund program, originally envisioned as a short-term effort to clean up a limited number of hazardous waste sites, has escalated into an expensive, contentious, and long-term effort involving potentially thousands of sites. Although the Superfund program has made progress, especially in responding to emergency releases of hazardous substances and forcing polluters to clean up contamination, little of its primary purpose has been achieved: the permanent cleanup of major hazardous waste sites. This testimony discusses the following questions: How can the pace of site cleanups be accelerated? How can Superfund costs be better controlled? How effective are completed cleanups in protecting human health and the environment? What is the appropriate level of federal investment to address the risks posed by hazardous waste sites?

Superfund: EPA Needs to Better Focus Cleanup Technology Development, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-93-24, Apr. 28 (33 pages).

Faced with cleaning up thousands of hazardous waste sites across the country, the Environmental Protection Agency (EPA) has joined forces with industry and other government agencies to develop innovative ways to treat hazardous waste more cost-effectively. GAO testified in September 1992 (GAO/T-RCED-92-92) that the number of innovative technologies demonstrated and selected had increased in recent years but that obstacles were inhibiting their development and use. This testimony updates that discussion and focuses on (1) the extent to which innovative technologies have been demonstrated and either selected for demonstrations or actually used for Superfund site cleanups and (2) some of the existing barriers to development and use of innovative technologies and EPA's efforts to reduce these barriers. GAO also discusses its earlier recommendations for fostering development of innovative technologies for Superfund and EPA's response.

Financial Institutions

Resolution Trust Corporation: Controls Over Asset Valuations Do Not Ensure Reasonable Estimates

GAO/GGD-93-80, Apr. 8 (21 pages).

Resolution Trust Corporation (RTC) controls over asset valuation reviews are so lax that the reasonableness of asset valuations for failed thrifts must be called into question. During its examination of asset review sheets, GAO found (1) limited documentation supporting the methods, the assumptions, and the conclusions used in doing these asset valuation reviews; (2) minimal evidence of contractor supervisory review of the individual asset review sheets that GAO had examined; and (3) lack of evidence indicating the level and the extent of review that RTC officials exercised in assessing the adequacy of the asset review sheets. These weaknesses put RTC at risk of using inaccurate or questionable data in cost tests, which seek to identify the least costly resolution method. In addition to correcting these weaknesses, RTC could further improve the asset valuation review process by making greater use of available data in developing the asset loss figure for the cost test. Finally, RTC considers its Asset Review Evaluation System fully functional even though it has never

been tested under operational conditions. RTC will need to closely monitor the system's performance to ensure that all known system deficiencies have been corrected and that it is working properly.

**Resolution Trust Corporation:
Timelier Action Needed to Locate Missing Asset Files**

GAO/GGD-93-76, Apr. 28 (21 pages).

The Resolution Trust Corporation (RTC) uses standard asset management and disposition agreement contractors to manage and dispose of nonperforming loans, those that are at least 60 days delinquent. Before contractors can dispose of loans, however, they need documents contained in the asset files for loans assigned to them. GAO found that RTC had not effectively managed asset file transfers to contractors. Timeliness in providing files was a major problem. In some cases, even after lengthy searches for missing files, RTC waited from five months to nearly two years to withdraw the loans from contractors' portfolios. On the contracts GAO reviewed, contractors received nearly \$450,000 in management fees for loans that they could neither manage nor dispose of. Although RTC's general records management procedures require field site managers to notify records managers whenever files are transferred from a thrift to another location, such as an RTC officer or loan service, this requirement was not consistently met. As a result, records managers could not always readily find asset files needed by contractors.

**Resolution Trust Corporation:
Asset Purchase Option for Resolution of City Federal Savings Bank**

GAO/GGD-93-77, Apr. 30 (13 pages).

To help resolve City Federal Savings Bank, a failed savings and loan in New Jersey, the Resolution Trust Corporation (RTC) entered into a \$3 billion asset purchase option agreement with First Fidelity Bancorporation and the investment banking firm of Goldman, Sachs & Co. GAO concludes that RTC was within its authority to use the asset purchase option as a way to avoid an insured deposit payout at City Savings. RTC experienced problems, however, in delivering to Goldman Sachs the type of assets required by the option agreement. RTC may have used questionable judgment in structuring the option's terms and conditions. RTC partially satisfied its obligation under the agreement by giving Goldman Sachs about \$1 billion in assets from a failed Florida thrift.

Because RTC was unable to come up with the remaining \$2 billion in assets needed to comply with the agreement, it instead appointed Goldman Sachs the lead managing underwriter for two securitization transactions for which the firm will receive standard underwriting spreads. RTC officials said that in light of the problems they had experienced in complying with the agreement they did not plan to use a similar agreement in the future.

Financial Management

Financial Management: Agencies' Actions to Eliminate "M" accounts and Merged Surplus Authority

GAO/AFMD-93-7, Apr. 2 (55 pages).

In recent years, Congress has become increasingly concerned about (1) the large balances available to the Pentagon in the "M" and merged surplus accounts—a combination of obligated but unpaid balances from appropriations made in prior years—which totaled about \$50 billion in 1990; (2) the Defense Department's (DOD) access to and routine use of hundreds of millions of dollars from the "M" accounts and merged surplus authority to cover contract cost increases; and (3) DOD's lack of oversight of these accounts. Legislation passed in 1990 canceled merged surplus authority and phased out the "M" accounts. This report discusses how six federal agencies have implemented the law. In particular, GAO found serious problems at DOD, which obligated current-year funds to cover additional contract costs—expenses that, had they been correctly charged to expired appropriations as is generally required, could have violated the Antideficiency Act. In addition, DOD, by not disclosing billions of dollars of canceled obligations, masked the government's potential liability.

Financial Audit: Capitol Preservation Fund—March 31, 1991 and 1990

GAO/AFMD-93-32, Apr. 14 (13 pages).

GAO audited the financial statements of the Capitol Preservation Fund, which finances restorations and improvements at the United States Capitol, as of March 31, 1991 and 1990 along with the related statements of operations and cash flows. GAO found that the statements present fairly, in all material respects, the financial position of the fund and the results of its operations and cash flows.

**Financial Audit:
Expenditures by Three Independent Counsels**

GAO/AFMD-93-60, Apr. 21 (25 pages).

During recent six-month periods audited by GAO, three independent counsels reported spending \$5.7 million—\$2.9 million by Arlin M. Adams, \$2.8 million by Lawrence E. Walsh, and \$27,000 by an individual whose identity is sealed by court order. GAO found the reported expenditures to be reliable. In an October 1992 report (GAO/AFMD-93-1), GAO found several serious internal control weaknesses at independent counsels' offices and at the Administrative Office of the U.S. Courts, which handles disbursements and accounting for independent counsels. These weaknesses included inadequate procedures to ensure that expenditures were charged properly and inadequate segregation of duties. In its current audit, GAO discovered many of the same weaknesses, along with questionable expenditures for pay and travel. The independent counsels and the Administrative Office of the U.S. Courts have begun taking steps to bolster controls and ensure compliance with laws and regulations. These actions include increasing segregation of duties and discontinuing some kinds of expenditures that GAO considers inconsistent with laws and regulations. Future GAO audits will review these measures to determine their success in resolving the problems.

**Financial Audit:
Statement of Accountability of the House Finance Office for Fiscal Year 1991**

GAO/AFMD-93-45, Apr. 27 (11 pages).

GAO audited the Statement of Accountability for Appropriations and Other Funds arising from cash transactions of the House Finance Office, which handles receipts and disbursements for members' personal staffs, congressional committees, and the Capitol Police. GAO found that the statement of accountability was reliable. In addition, GAO discovered no material weakness in the internal control structure and its operation and no material noncompliance with laws and regulations.

**DOD Financial Management:
Serious Shortcomings Affect Internal Controls and Financial
Systems**

GAO/AFMD-93-61R, Apr. 27 (16 pages).

In a fiscal year 1992 report, the Pentagon asserted that its internal control and financial systems were helping to realize the objectives of the Financial Managers' Financial Integrity Act. GAO disputes this claim, citing long-standing management, internal control, and accounting weaknesses that undermine the military's ability to effectively safeguard the hundred of billions of dollars of resources entrusted to it. GAO is concerned that the Defense Department's (DOD) assessment may lead the new administration to become overly optimistic about the state of DOD management, control, and accounting problems. Although DOD recently authorized a review of the Defense Business Operations Fund—a positive first step in GAO's view—the problems cited by GAO extend well beyond the operations of the fund. Appointing strong top leadership in DOD's financial and information management organizations is critical.

**Federal Tax Deposit System:
IRS Can Improve the Federal Tax Deposit System**

GAO/AFMD-93-40, Apr. 28 (25 pages).

The current paper-based federal tax deposit system, which collects about 80 percent of the Internal Revenue Service's (IRS) tax receipts, is extremely error prone. Resolving these mistakes is both expensive and time-consuming. In addition, the system costs the Treasury Department about \$145 million annually because of a one-day delay in funds available to Treasury. In trying to improve the system, Treasury has concentrated on automating the existing process rather than on resolving problems that arise from matching information on the tax returns to payment data on federal tax deposit coupons. Although Treasury's plan would achieve an important goal—accelerating the government's cash collections—it would do little to overcome systemic problems that burden taxpayers and reduce IRS productivity. Treasury has, however, recently changed its mind on automation efforts and plans to address how the accounting and payment data should be collected.

Government Operations

Federal Performance Management: Agencies Need Greater Flexibility in Designing Their Systems

GAO/GGD-93-37, Feb. 24 (59 pages).

Performance management refers to processes, such as the setting of expectations for employees, formal end-of-year job appraisals, and decisions on promotions and awards, that federal agencies use to improve individual and organizational effectiveness in doing the government's work. This report examines the performance management systems in use at various federal agencies. GAO (1) identifies the elements of an effective performance management system; (2) determines whether these elements were included in federal agencies' systems; and (3) discusses the views of personnel officials, employees, and researchers on the adequacy of federal performance management systems.

Public Affairs: Personnel Engaged in Public and Congressional Affairs in Federal Agencies

GAO/GGD-93-71FS, Mar. 8 (18 pages).

On the basis of agency-provided data, GAO concludes that the number of full-time public and congressional affairs personnel is on the upswing. For example, agencies reported that public and congressional affairs personnel during fiscal years 1991 and 1992 totaled 6,382 and 6,673 respectively, compared with 6,293 in fiscal year 1985. Twenty-six agencies indicated either a 25-percent increase or a 25-percent decrease in full-time public and congressional affairs positions over fiscal year 1985 levels. These changes were due to either (1) agencies' increased or decreased involvement in public and congressional affairs or (2) differences in interpreting the 1985 and 1992 GAO questionnaires. Agencies reported that 320 and 329 political appointees worked in public affairs jobs in fiscal years 1991 and 1992, respectively; political appointees in congressional affairs positions totaled 372 and 366 during the same years.

Financial Disclosure: Implementation of Statute Governing Judicial Branch Personnel

GAO/GGD-93-85, Apr. 27 (76 pages).

As part of a trend toward uniform ethics rules for federal employees, the Ethics Reform Act of 1989 consolidated the laws governing financial disclosure reports for high-level officials in all three branches of government. GAO reviewed the judicial branch's implementation of new provisions and found that the filing and the review of financial disclosure reports by judicial personnel in 1991 did not adequately comply with the law and was not in accord with sound management practices. First, the implementing procedures did not identify and promptly notify all persons required to file, nor did the procedures guarantee that these individuals had actually filed reports covering the proper time period. Second, the procedures did not mandate completion of disclosure certifications within 60 days when no additional information was requested of filers. Third, the procedures did not require persons doing compliance reviews to sign the disclosure reports when they could give positive assurance opinions.

**Postal Procurement:
Information on Bid Protest Activities**

GAO/GGD-93-79FS, Apr. 29 (20 pages).

This fact sheet provides statistics on recent bid protests handled by the U.S. Postal Service's General Counsel and on the agency's related procurement activities. GAO discusses (1) the number and the dollar amount of contracts awarded, (2) the average time taken to award contracts, (3) the number of bid protests filed and their disposition, (4) the number of requests for consideration filed and their disposition, (5) the average time taken to conclude protests and requests for reconsideration, and (6) the Postal Service's policy of delaying contract award or performance when protests are filed.

Testimony

Federal Data Collection: Measuring Race and Ethnicity Is Complex and Controversial, by William M. Hunt, Director of Federal Management Issues, before the Subcommittee on Census, Statistics, and Postal Personnel, House Committee on Post Office and Civil Service. GAO/T-GGD-93-21, Apr. 14 (19 pages).

Race and ethnic questions are among the most technically complex and publicly controversial questions asked on the decennial census. The resulting data are used for a variety of important policy ends—everything from promoting fair voting practices to analyzing the health of different population groups in the United States. Race and ethnicity are not clearly

definable characteristics, however, and the biracial and multiethnic children of intermarriages are making measurement even more complex. During the 1990 census, controversy arose over how Asian and Pacific islanders were to be treated on the race question. A last-minute decision on this issue turned out to be contrary to the Census Bureau's initial recommendation. The 1990 census experience illustrates the importance of timely planning and research coordinated with consensus-building efforts. The existence of inadequacies and inconsistencies in federal race and ethnic data due to operational problems is clear, but GAO found that agencies generally used consistent race and ethnic definitions in designing their data collection instruments and methodologies.

Health

Organ Transplants: Increased Effort Needed to Boost Supply and Ensure Equitable Distribution of Organs

GAO/HRD-93-56, Apr. 22 (94 pages).

More than 10,000 people died waiting for organ transplants during a recent five-year period. Although the technology for organ transplantation has improved dramatically, organ supplies have not kept pace with demand. Federal legislation has attempted to boost supplies of transplant organs and make their allocation more equitable, but patients have little assurance that organs are being distributed fairly. First, the Department of Health and Human Services (HHS) does not monitor the allocation practices of organ procurement organizations. Second, some organizations limit the pool of patients to be considered for transplant to a single transplant center. Third, some organizations do not document why good transplant candidates were skipped over. Fourth, despite a policy of the United Network for Organ Sharing that allocation practices should be uniform, compliance with this policy by organ procurement organizations is voluntary. HHS needs to develop federal regulations stipulating appropriate allocation practices and develop a measure of procurement success that would enable it to target technical assistance to less effective organ procurement organizations. GAO summarized this report in testimony before Congress; see:

Organ Transplants: Increased Effort Needed to Boost Supply and Ensure Equitable Distribution of Organs, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce.
GAO/HRD-93-17, Apr. 22 (nine pages).

**Childhood Immunization:
Opportunities to Improve Immunization Rates at Lower Cost**

GAO/HRD-93-41, Mar. 24 (59 pages).

Most state Medicaid programs could save money if low-cost vaccines acquired through contracts with the Centers for Disease Control (CDC) were made available to all doctors giving vaccines to poor children. Although state and local health departments can buy low-cost vaccines for this purpose, most do not. State Medicaid programs have ended up reimbursing providers for vaccines that cost as much as five times the CDC-contract price. These state programs could also reduce immunization costs if they reimbursed providers only for the combined measles, mumps, and rubella vaccine rather than the higher cost individual vaccines. Savings on vaccine costs, however, will do little to improve preschool immunization levels unless funds are provided to educate parents and track and follow up on the immunization status of children. Most states do not systematically carry out these activities.

**Long-Term-Care Management:
State Experiences and Implications for Federal Policy**

GAO/HRD-93-52, Apr. 6 (45 pages).

The number of Americans age 65 and older is rising steadily and could exceed 52 million by 2020. Older people require more health and social services but are often confused about how to obtain them. Case management helps people define their service needs, locates and arranges for services, and coordinates the services of multiple providers. Congress has recently considered several bills dealing with long-term care; some of this legislation has proposed establishing a network of case managers to integrate long-term-care services and ensure that beneficiaries receive necessary care and support. This report discusses (1) what, in practice, constitutes case management; what roles case managers play; and what barriers they face in doing their jobs and (2) whether standards for case managers would best be defined in terms of professional qualifications,

the functions of case management, or performance measures based on the experience of state officials and outstanding case managers.

**Public Health Service:
Evaluation Set-Aside Has Not Realized Its Potential to Inform
the Congress**

GAO/PEMD-93-13, Apr. 8 (46 pages).

The Department of Health and Human Services can earmark as much as one percent of the annual Public Health Service appropriations to evaluate federal health programs. As a result, over the past five fiscal years, more than \$500 million could have been made available for evaluating public health service programs through the set-aside authority. This report describes the use of the evaluation set-aside authorized under the Public Health Service Act and examines how effective the evaluation set-aside has been in providing Congress with information on federal health programs.

**Cataract Surgery:
Patient-Reported Data on Appropriateness and Outcomes**

GAO/PEMD-93-14, Apr. 20 (51 pages).

Although cataract surgery, for many patients, dramatically improves vision, the potential exists for complications that can actually worsen eyesight. Another concern is that some patients may be undergoing cataract surgery when it is not really needed. About three-quarters of the Medicare patients GAO surveyed reported that before surgery, significant eyesight problems had interfered with their ability to drive, read, or watch television. By including symptoms like blurred vision and sensitivity to glare, the proportion of patients with substantial presurgical vision problems rose to 84 percent. Surgery may have been more questionable, however, for the remaining 16 percent of patients with "slight" symptoms. The overwhelming majority of respondents said that their surgery had been successful. For about two-thirds, the improvement was uniform across all dimensions; that is, the vision symptoms and functions that did not get better at least stayed unchanged. Most of the other patients (30 percent) reported mixed results, with improvements in some symptoms or functional impairments and worsening in others. GAO summarized this report in testimony before Congress; see:

Cataract Surgery: Patient-Reported Data on Appropriateness and Outcomes, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Senate Special Committee on Aging. GAO/T-PEMD-93-3, Apr. 21 (23 pages).

Testimony

Medicare Secondary Payer Program: Identifying Beneficiaries With Other Insurance Coverage Is Difficult, by Leslie G. Aronovitz, Associate Director for Health Financing Issues, before the Subcommittee on Regulation and Government Information, Senate Committee on Governmental Affairs. GAO/T-HRD-93-13, Apr. 2 (12 pages).

Under the Medicare secondary payer program, Medicare costs have been cut by billions of dollars. This effort has centered on (1) identifying working beneficiaries and their spouses whose other health insurance is the primary payer to Medicare and (2) recovering Medicare payments that should have been made by private insurers. To achieve these goals, however, Medicare relies on a process that is labor intensive, expensive, and often unreliable. Enforcing the Medicare secondary payor provisions has been a long-standing challenge, and despite efforts by the Health Care Financing Administration and the millions of dollars spent to identify primary payers, hundreds of millions of dollars go uncollected.

Medicare: Physicians Who Invest in Imaging Centers Refer More Patients for More Costly Services, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-93-14, Apr. 20 (11 pages).

A study of referrals to diagnostic imaging centers, among the most popular kinds of physician-owned joint ventures, provides further evidence that physician involvement in medical facilities is linked to more frequent patient referrals to those facilities and higher health care costs. Often boasting expensive high-technology services like magnetic resonance imaging (MRI), these centers have proliferated in many parts of the country. GAO's analysis of 1990 Medicare claims in Florida reveals that doctors with a financial stake in nonhospital imaging facilities referred their patients more often and referred them for more costly imaging services than did other physicians. The differences were most pronounced among MRI referrals. Because its findings are based on a large-scale analysis of physician referral practices, GAO believes that they provide important new information for Congress as it considers legislation to extend current restrictions on physician self-referral.

Housing

Rental Housing: Serving the Elderly Through the Section 8 Program

GAO/RCED-93-12FS, Mar. 29 (51 pages).

The Department of Housing and Urban Development (HUD) provides rental housing assistance to families through its section 8 voucher and certificate programs. By subsidizing a portion of household rent, HUD hopes to enable more low-income families to live in private rental housing that is decent and safe. This fact sheet provides information on the following section 8 issues: (1) the demographic characteristics of elderly and nonelderly voucher and certificate recipients, including sex, race, handicapped status, adjusted income, and education; (2) the quality of the housing units rented by elderly voucher and certificate recipients; and (3) the proportion of income that elderly and nonelderly voucher recipients pay for rent.

Public and Assisted Housing: Some Progress Made in Implementing HUD's Family Self-Sufficiency Program

GAO/RCED-93-78, Apr. 8 (28 pages).

The government's family self-sufficiency program was created in 1990 to coordinate federal public housing, Indian housing, and section 8 rental housing assistance with public and private support services. The program, by linking housing assistance with support services, like education and job training, seeks to help lower income families attain economic independence and become homeowners. This report discusses (1) the program's status, (2) actions by the Department of Housing and Urban Development (HUD) to coordinate its efforts with those of other federal agencies that will fund the support services needed for the program, and (3) HUD efforts to determine how much to reimburse local housing agencies for the costs of operating their family self-sufficiency programs.

Income Security

Pension Plans: Labor Should Not Ignore Some Small Plans That Report Violations

GAO/HRD-93-45, Mar. 26 (11 pages).

In a May 1991 report (GAO/HRD-91-87), GAO revealed fund abuses in pension plans for which the Pension Benefit Guaranty Corporation (PBGC) had

assumed responsibility. GAO indicated that both the Labor Department and the Internal Revenue Service may not have acted on information, found in annual reports filed by pension plans, describing violations involving asset use and funding deficiencies. This report follows up on that work and discusses (1) whether the agencies have identified and acted on the information and (2) what the agencies' current procedures and practices are for dealing with violations. IRS procedures generally are effective in identifying pension plans, including small ones, that report funding deficiencies and provide reasonable assurance that appropriate actions will be taken. The Labor Department's procedures ignore some small plans, despite indications that violations are more common among such plans.

**Private Pensions:
Protections for Retirees' Insurance Annuities Can Be Strengthened**

GAO/HRD-93-29, Mar. 31 (74 pages).

Insurance regulators seized control of several large life insurance companies in 1991 because of solvency problems. These events have raised concerns about the adequacy of protection for the 3 to 4 million retirees and beneficiaries receiving annuities. In the wake of the seizure of the Executive Life Insurance Company, for example, 44,000 retirees received only 70 percent of their monthly annuities for more than a year. This report assesses (1) state guarantee coverage of insurance annuities received by retirees from private pension plans and (2) federal regulation and oversight of the selection of private pension plans of insurers to provide annuity benefits. GAO also discusses options to improve protection for retirees' insurance annuities.

Testimony

Private Pensions: Most Underfunded Plan Sponsors Are Not Making Additional Contributions, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HRD-93-16, Apr. 20 (12 pages).

Although most plans insured by the Pension Benefit Guaranty Corporation (PBGC) are well-funded, a significant minority of plans are underfunded and the level of underfunding in these plans is growing. The potential consequences of this trend are alarming. PBGC faces an increase in its exposure to the risk of terminating underfunded plans. Sponsors of financially sound plans may see their PBGC premiums increase to cover

PBGC's growing losses. Plan participants may lose some benefits should their underfunded plan be terminated. Taxpayers may have to pay should PBGC exhaust the assets it has for paying its obligations. GAO concludes that the current funding rules need strengthening and that proposed legislation, while far from perfect, would substantially increase contributions for many plans.

Social Security: Rising Disability Rolls Raise Questions That Must Be Answered, by Jane L. Ross, Director of Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-93-15, Apr. 22 (11 pages).

In April 1993, trustees of the Social Security Disability Insurance Trust Fund reported that the fund could be exhausted by 1995, mainly because the number of beneficiaries has grown faster than expected. To keep the fund solvent through 2020, the trustees have proposed legislation that would give the fund a larger share of the Social Security payroll tax. This testimony discusses (1) the major factors contributing to the rapid increase in beneficiaries; (2) the changing composition of the disability insurance rolls; and (3) the uncertainty about whether recent trends will continue, level off, or reverse themselves.

Information Management

Interpol: Information on the Red Notice System

GAO/IMTEC-93-23, Mar. 29 (12 pages).

The International Criminal Police Organization's (INTERPOL) red notice system sends out international "wanted posters" to help identify and capture fugitives who have committed crimes in the United States. GAO found that the arrest rate for these individuals is unknown because red notice data is not compiled by the U.S. National Central Bureau, Interpol, or the Justice Department. Red notices have not been sought for all eligible fugitives mainly because law enforcement officials view them as unnecessary or unhelpful in some cases. Data accuracy is another problem, with discrepancies affecting 43 percent of the files and documentation for red notices issued in fiscal year 1992. Law enforcement officials, however, characterize these discrepancies as minor. GAO also noted shortcomings in computer security. The U.S. National Central Bureau has no guarantee either that its data processing facility and system would continue operating during an emergency or that computer security

threats would be identified and countered. Additionally, critical back-up files were not stored apart from the U.S. National Central Bureau site.

**FTS 2000:
GSA's Price Redetermination Yields a Reasonable Decision and Lower Prices**

GAO/IMTEC-93-22, Mar. 4 (eight pages).

The General Services Administration (GSA) followed a well-defined, appropriate process for conducting the FTS 2000 Price Redetermination/Service Reallocation. It consistently followed its source selection plan, which GAO reviewed earlier and found acceptable. GSA also used appropriate methodologies to develop data used to perform its analysis during the Price Redetermination/Service Reallocation process. As a result, GSA made a reasonable decision in maintaining the current 60-40 percentage revenue split between the two FTS 2000 vendors. This decision had a major impact on FTS 2000 prices, which will fall by about \$450 million during the final six years of the contracts. Further, these new prices were generally below the lowest known commercial rates at the time of the Price Redetermination/Service Reallocation. In addition, to ensure that FTS 2000 prices remain competitive with commercial prices, GSA recently negotiated with both vendors new publicly available price caps covering all services. These agreements appear reasonable and should ensure that the government pays competitive rates during the second term of the contracts.

**Telecommunications:
FCC's Handling of Formal Complaints Filed Against Common Carriers**

GAO/RCED-93-83, Mar. 18 (15 pages).

The Federal Communications Commission (FCC) relies on a formal complaint process to resolve pricing and other disputes between customers and common carriers, such as local and long-distance telephone companies. A significant rise in complaints during fiscal years 1989 and 1990 and FCC's extensive use of deferrals have caused (1) an increasing number of unresolved formal complaints against common carriers, (2) long periods of time taken to resolve complaints, and (3) a very low level of compliance with the law requiring FCC to resolve tariff complaints within 12 to 15 months of their filing. FCC has taken various

steps to resolve formal complaints more quickly, including doubling its staff of formal complaint attorneys, proposing to streamline its resolution procedures, and piloting alternative techniques for dispute resolution.

**Treasury Automation:
Automated Auction System May Not Achieve Benefits or
Operate Properly**

GAO/IMTEC-93-28, Apr. 27 (22 pages).

In response to the 1991 Salomon Brothers scandal, which threatened public confidence in U.S. Treasury auctions, the government speeded up development of a computerized auction system for large dealers and made other changes to reduce the potential for fraud and misconduct. It is unclear, however, whether the Treasury Department's new automated auction processing system will actually ensure market integrity and encourage aggressive bidding on government securities. Specifically, the system cannot detect or identify collusion or fraud, although it can provide clues about behavior that warrant further attention. In addition, Treasury plans to indefinitely allow bidders to submit paper tenders that will not be inspected by the system. Time savings are also in doubt. Finally, Treasury took shortcuts in system development, skipping steps such as documenting detailed functional requirements that would help control risks associated with building and running such a system. GAO recommends that Treasury put the system on hold until these concerns are addressed.

Testimony

FTS 2000: Status and Mandatory Use, by Jack L. Brock, Director of Government Information and Financial Management Systems Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/IMTEC-93-5, Apr. 22 (six pages).

The General Services Administration (GSA) has lowered FTS 2000 prices during the past year. As a result of GSA's recent recompetition, FTS 2000 prices are now generally competitive with known commercial prices. Further, GSA has negotiated new mechanisms, publicly available price caps, that should ensure that FTS 2000 rates remain competitive. Under the caps, prices may be reduced following periodic comparisons of FTS 2000 prices with publicly available prices. As for mandatory use, a policy requiring federal agencies to use FTS 2000 services for procurements, GAO

concludes that inserting explicit provisions in upcoming legislation is unnecessary because GSA already has enough authority to enforce this requirement.

Tax Systems Modernization: Comments on IRS' Fiscal Year 1994 Budget Request, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/IMTEC-93-6, Apr. 27 (13 pages).

Existing tax processing systems do not provide ready access to needed information or allow for modern work processes, a void the Internal Revenue Service (IRS) hopes to fill through its Tax Systems Modernization effort. IRS has requested a significant increase in spending for this program in fiscal year 1994. GAO has raised concerns about the appropriateness and the timing of much of this increase and questions the reliability of a \$23 billion estimate made by IRS for the program. In addition, GAO believes that the program's success is at risk unless several problems are quickly resolved. For example, business studies that could significantly affect Tax Systems Modernization remain unfinished; the program lacks a firm management and technical foundation; and the program's human resource implications, including the need for new work force skills, need further consideration. Congress may want to consider requiring IRS to accomplish specific goals before releasing fiscal year 1994 appropriations or considering the fiscal year 1995 budget.

International Affairs

U.S.-Chilean Trade: Developments in the Agriculture, Fisheries, and Forestry Sectors

GAO/GGD-93-88, Apr. 1 (44 pages).

U.S.-Chilean trade more than doubled between 1986 and 1991. Chilean agriculture, fishery, and forestry exports to the United States have been particularly successful, and in 1991, accounted for well over half the value of Chilean exports to America. The United States, however, sells few agriculture, fishery, or forestry products to Chile. This report (1) reviews recent trends in U.S. trade with and investment in Chile for these three sectors; (2) evaluates the development of Chilean agriculture, fishery, and forestry exports to the United States; (3) analyzes the extent to which horticultural exports from Chile complement or compete with U.S.

domestic production; and (4) identifies the main obstacles to bilateral agricultural trade and efforts to promote further trade liberalization.

**Serbia-Montenegro:
Implementation of U.N. Economic Sanctions**

GAO/NSIAD-93-174, Apr. 22 (32 pages).

The U.N. Security Council Sanctions Committee has not fulfilled its responsibilities for monitoring how U.N. member states are implementing economic sanctions against Serbia and investigating alleged violations, nor have the nations bordering Serbia had the help needed to enforce the sanctions. Although economic sanctions have disrupted the Serbian economy, they have not caused Serbia to abandon its aggressive policies toward its former Yugoslav neighbors. Some strategic products—petroleum, for example—continue to reach Serbia-Montenegro, and hundreds of other sanction violations are suspected. No coordinated international effort has been made to monitor the sanctions' implementation, identify and document weaknesses, or recommend corrective action. The United States, the European Community, and the U.N. are considering several options, including improving the monitoring of goods en route to Serbia-Montenegro; increasing resources and technical help to border countries; tightening financial sanctions; and increasing investigations, prosecutions, and publicity to deter violations.

Testimony

U.S. Trade Data: Limitations of U.S. Statistics on Trade With Mexico, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-GGD-93-25, Apr. 28 (11 pages).

Merchandise trade data are used for everything from calculating the monthly U.S. trade balance to enforcing quotas and other import restrictions. This testimony focuses on the quality of U.S. trade data. GAO discusses limitations in trade data generally and specific limitations GAO found concerning U.S.-Mexico trade, especially in the maquiladora program.

Export Promotion: Improving Small Business' Access to Federal Programs, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on the

Development of Rural Enterprise, Exports, and the Environment, House Committee on Small Business. GAO/T-GGD-93-22, Apr. 28 (18 pages).

This testimony discusses the lack of coherent funding for the federal government's export promotion programs; the need for a governmentwide export promotion strategy; and the Export Enhancement Act of 1992, which created an interagency group to overcome these problems. GAO also examines the status of federal programs to help small businesses export, focusing on the role of the Small Business Administration, and suggests ways in which small companies' access to these programs might be improved.

Justice and Law Enforcement

Community Based Drug Prevention: Comprehensive Evaluations of Efforts Are Needed

GAO/GGD-93-75, Mar. 24 (42 pages).

The Community Partnership Demonstration Grant Program is in its third year of funding, and as much as \$33 million has been reserved for local evaluation. Yet knowledge of the program's effectiveness in reducing drug abuse is limited and may not be obtainable for local evaluations. A national evaluation of the overall effectiveness of the program's approach will not be completed until 1998. Until this evaluation is finished, it will be hard for the Center for Substance Abuse Prevention, part of the Department of Health and Human Services, to show that the program is actually reducing drug abuse. Moreover, the Center will have only a limited knowledge base from which to draw in providing technical help to communities designing prevention programs.

Prison Boot Camps: Short-Term Prison Costs Reduced, but Long-Term Impact Uncertain

GAO/GGD-93-60, Apr. 29 (72 pages).

The popularity of prison boot camps—corrections facilities using military-style, basic training techniques to steer young offenders away from committing more serious crimes—continues to rise, with 26 states now running 57 camps with a total capacity of more than 8,800 inmates. Whether these boot camps will ultimately reduce costs, recidivism, and crowding remains to be seen. Most programs are still relatively new, and

few formal evaluations have been made. Preliminary information suggests that the camps reduce overall corrections costs and systemwide prison crowding because inmates are released earlier, not because the camps are less costly per inmate than other forms of imprisonment. Recidivism data are limited, but the early data show only marginal improvements over traditional forms of incarceration. As presently structured, the federal boot camp program, created in 1990, is too small to appreciably reduce overall costs, prison crowding, and recidivism in the federal prison system. With only 77 participants having completed the program, it is too early to assess the federal program's impact on recidivism.

National Defense

Defense Industrial Base: An Overview of an Emerging Issue

GAO/NSIAD-93-68, Mar. 29 (16 pages).

The defense technical and industrial base refers to the people, technical know-how, and facilities used to produce the weapons and equipment needed to defend the United States. This base has three main components: research and development, production, and maintenance and repair, each of which involves government and the private sector. During the current military downsizing, the Pentagon's requirements for new weapons and support equipment will likely be reduced dramatically and the ongoing restructuring of the defense industrial base is expected to intensify. The Defense Department (DOD) has taken the position that free market forces will guide the restructuring of the defense industrial base. GAO has concerns about this strategy because defense contractors tend to be more concerned with maximizing returns for investors rather than with how long-term changes in the defense industrial base might affect national security. In addition, DOD has not been aggressive in assessing U.S. reliance on foreign sources and foreign investment in the defense industrial base.

Military Bases: Analysis of DOD's Recommendations and Selection Process for Closures and Realignments

GAO/NSIAD-93-173, Apr. 15 (113 pages).

The Defense Department's (DOD) selection process for military base closures and alignments—165 installations have been targeted as of March 1993—is generally sound, but savings estimates were overstated by

nearly \$1 billion and questions can be raised about the reasonableness of some specific recommendations. For example, (1) because the Navy stressed reducing excess capacity, cases arose in which bases were slated for closure even though other bases were considered of less military value; (2) the Army chose not to recommend a base for closure because of environmental cleanup costs—a reason excluded from calculations of closure costs; (3) existing documentation provides little insight into the reasoning behind some of the Air Force's final decisions, although Air Force officials' oral explanations seemed to make sense; and (4) the Defense Logistics Agency overstated estimated realignment savings. Furthermore, oversight by the Secretary of Defense during the base closure process was weak. The standards used for DOD's cumulative economic impact analyses were not supportable, and DOD continued to ignore government cost implications despite earlier GAO recommendations to the contrary. The effect of DOD's recommendations on federal agencies could be substantial, especially if the military moves out of General Services Administration buildings into new DOD facilities. In addition, hospital closings would also boost government Medicare costs. GAO summarized this report in testimony before Congress; see:

Military Bases: Analysis of DOD's Recommendations and Selection Process for Closures and Realignments, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Defense Base Closure and Realignment Commission. GAO/T-NSIAD-93-11, Apr. 19 (10 pages).

**Military Bases:
Revised Cost and Saving Estimates for 1988 and 1991 Closures
and Realignments**

GAO/NSIAD-93-161, Mar. 31 (13 pages).

GAO reviewed the Pentagon's cost estimates and savings for base closures and realignments in 1988 and 1991. Although closure and realignment costs have so far remained relatively stable, land revenue projections have fallen dramatically. As a result, the Defense Department's estimate of money needed for the Defense Base Realignment and Closure Account, which funds one-time costs to close or realign bases, more than doubled between fiscal years 1991 and 1993. There were also significant fluctuations in the components that make up the total estimated costs for the account. For example, the projection for military construction dropped from \$2.2 billion to \$1.5 billion, while the estimate for environmental

cleanup rose from \$510 million to \$859 million. Operations and maintenance costs fell by about \$33 million. The changes occurred because DOD now has better data to base its estimates on and because audits have shown that some construction costs were either too high or were unnecessary. Between fiscal years 1991 and 1993, estimated land sale revenues dropped from \$2.1 billion to \$1.1 billion because some properties were transferred to other federal agencies and local governments without compensation and because better data were obtained on what properties might sell for.

**Military Bases:
Army's Planned Consolidation of Research, Development, Test,
and Evaluation**

GAO/NSIAD-93-150, Apr. 29 (three pages).

The Army is consolidating or converting more than 40 laboratory functions into several streamlined organizations. Specifically, the consolidations reviewed by the 1991 Defense Base Closure and Realignment Commission included the Combat Materiel Research Laboratory Medical Research and Development Command, along with the Corps of Engineers Library. Only the Army Research Laboratory consolidation requires military construction, and the cost estimate for it has increased slightly since it was submitted to the Commission in April 1991. The number of civilian positions to be cut as a result of the three consolidations remains essentially the same as that submitted in 1991.

**International Air and Trade Shows:
DOD Increased Participation, but Its Policies Are Not Well-Defined**

GAO/NSIAD-93-96, Mar. 11 (25 pages).

Since May 1991, the Defense Department (DOD) has sent more personnel and equipment to major international air/trade shows than in past years. DOD pegs the cost of participating in six selected shows since May 1991 at about \$3.8 million. Half this amount involves training, with the rest arising from personnel support costs and the costs for technology display booths. DOD's contractors defrayed most of the incremental costs for service members transporting and supporting the equipment. Because the policies for participating in international air and trade shows are vague, GAO could not document whether DOD's policies have changed during the last two years. DOD policy on the leasing of equipment to defense contractors for

these shows has remained consistent: contractors wanting to demonstrate DOD equipment must lease it from the military and pay all related costs. DOD's increased participation in international events and its use of waivers, however, have made more U.S. equipment available, sparing contractors from paying full leasing costs. In other leading industrialized nations, policies vary as to whether equipment sent to international air/trade shows should promote national security, foreign policy, or community relations goals and what costs contractors should shoulder in leasing equipment from the government.

**Defense Inventory:
Defense Logistics Materiel Returns Program**

GAO/NSIAD-93-124, Mar. 30 (17 pages).

The Defense Logistics Agency (DLA) could save millions of dollars in processing costs by (1) eliminating the return of materiel valued at less than the cost to process it into a depot, (2) applying the minimum value to all returns regardless of the amount of stock on hand, and (3) valuing more realistically the materiel being considered for return. DLA's minimum limit of \$25 is less than the cost to process a return into a depot, which averaged \$40 in fiscal year 1991. In addition, DLA overvalues materiel by including surcharges in determining the worth of returned items, which can add up to nearly half of the acquisition price. Overall, more items are being approved for return than should be. For example, GAO found that DLA had approved the return of three bolts from Germany worth \$1.17 even though it already had almost 51,000 bolts on hand, a 15-month supply. Another unreasonable return involved one yard of nylon cord, worth \$0.34, returned from an Air Force Air Logistics Center. GAO estimates that if DLA had applied the \$40 limit to all returns and had not overvalued materiel, it could have cut about 611,000, or 42 percent, of the returns between June 1991 and May 1992 at a processing cost of about \$24.4 million.

**Navy Contracting:
Military Sealift Command's Control Over Time-Chartered Ships**

GAO/NSIAD-93-140, Apr. 7 (seven pages).

The Military Sealift Command (MSC) regularly charters both commercial and government-owned vessels to ship military cargo. Under a time-chartered contract, MSC pays a daily fee for the use of a ship during a specific time period but the owner remains responsible for ship

operations, such as supplying the crew. MSC believes that it has complied with the law in allowing three of its time-chartered ships—the Atlantic Forest, the Green Wave, and the Green Ridge—to be worked on in foreign shipyards. GAO found that (1) MSC's decision to allow the Atlantic Forest to be reflagged overseas appears to have been within its discretion and (2) MSC's position that time-chartered ships remain within the jurisdiction of their owners, and are therefore allowed to be repaired overseas, appears reasonable.

**Army Inventory:
Current Operating and War Reserve Requirements Can Be Reduced**

GAO/NSIAD-93-119, Apr. 14 (34 pages).

Although the Army has reduced its requirements for spare parts, its current operating and war reserve requirements are still significantly overstated. At the Aviation Systems Command and the Tank-Automotive Command, requirements for needed inventory were overstated by upwards of \$1.6 billion, resulting in millions of dollars in unnecessary repairs as well as potentially unnecessary procurements. The systems and policies being used by the Tank-Automotive Command and the Aviation Systems Command for forecasting requirements are also being used by the other four national inventory control points, suggesting that overstated requirements may be a widespread and a very costly problem for the Army.

**DOD's Mobility Requirements:
Alternative Assumptions Could Affect Recommended
Acquisition Plan**

GAO/NSIAD-93-103, Apr. 22 (16 pages).

In the event of a crisis overseas, the U.S. military needs to be able to transport personnel, equipment, and supplies quickly. The first volume of the Defense Department's (DOD) Mobility Requirements Study, issued in January 1992, concluded that by 1999 the United States will lack sufficient mobility capacity in several areas. To counter this projected shortfall, the report recommended that the United States acquire 20 large sealift ships, continue buying C-17 transport aircraft, and boost the number and readiness of ships in the Ready Reserve Force. GAO reviewed the key assumptions in the study affecting sealift and airlift to determine whether they support the conclusions and recommendations. This unclassified

version of two classified reports summarizes GAO's findings on the key assumptions used and discusses the implications if these assumptions were changed.

**Acquisition Management:
Implementation of the Defense Acquisition Workforce
Improvement Act**

GAO/NSIAD-93-129, Apr. 26 (40 pages).

In response to continuing concerns about the Pentagon's ability to effectively manage acquisition programs, Congress passed legislation requiring the Defense Department (DOD) to establish an acquisition work force with specific experience, education, and training qualifications. DOD must (1) establish a management structure and policies and regulations for implementing the law, (2) establish qualification requirements, (3) train and educate personnel to meet the requirements, and (4) enhance civilian opportunities to progress to senior acquisition positions. This report evaluates DOD's implementation efforts through January 1993.

**Army Maintenance:
Strategy Needed to Integrate Military and Civilian Personnel Into
Wartime Plans**

GAO/NSIAD-93-95, Apr. 29 (25 pages).

With the demise of the Warsaw Pact and the dissolution of the Soviet Union, the U.S. Army must develop effective combat and support strategies to meet new threats to the nation's security. GAO doubts, however, that the Army's general support maintenance strategies will be effective in future conflicts. The strategy does not reflect the changed threat environment, existing military maintenance capabilities, and actual maintenance practices used in past conflicts. Specifically, the strategy relies on military units for general support maintenance, while in practice the Army uses civilian maintenance workers to do this work, as was the case in the Persian Gulf War. The Army's strategy does not consider using civilians to do general support maintenance during wartime. Of particular concern is the strategy's failure to address regional conflict scenarios in which civilians could likely be used. As a result, the Army must make ad hoc general support maintenance arrangements. Although the Army had enough warning time to arrange for essential repairs during the Persian Gulf War, the timing may not be as favorable during the next conflict and

maintenance support operations could be jeopardized. The Army is considering changing its approach for general support maintenance during various conflict scenarios, but none of the proposals being reviewed addresses how to effectively incorporate both military maintenance forces and civilians or how to "mix and match" these forces with the conflict scenarios being considered.

Testimony

Army Force Structure: Attention Needed to Ensure an Ample Supply of Ready Support Forces, by Richard Davis, Director of National Security Analysis Issues, before the Subcommittee on Military Forces and Personnel, House Committee on Armed Services. GAO/T-NSIAD-93-1, Apr. 20 (13 pages).

Although much attention has been paid to improving the readiness of National Guard combat forces, the needs of the Army's support forces in both the Army National Guard and the Army Reserve should not, in GAO's view, be overlooked. This testimony addresses the status of the Army's combat support and combat service support forces during the ongoing military downsizing. GAO believes that support units, so critical to success in the Persian Gulf War, must be maintained in sufficient numbers and that their resource needs must be met. GAO discusses (1) the importance of reserve support forces to the Army's total force, (2) some problems that the Army encountered in deploying enough ready support forces to the Gulf War and ways in which the Army's equipping policy may have contributed to some readiness problems, and (3) ways in which the Army can improve the strength of its support forces as it scales back and restructures.

U.S. Military Presence in Europe: Issues Related to the Drawdown, by Joseph E. Kelley, Director of International Affairs Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-93-3, Apr. 27 (23 pages).

This testimony draws on past and ongoing GAO work on the U.S. military drawdown in Europe. GAO (1) provides a status report on the drawdown, including problems created by changing requirements; (2) discusses in detail U.S. and host country's financial obligations related to the base closures in Europe, especially residual value negotiations and severance pay for local nationals; and (3) comments on burden sharing and efforts to dispose of excess equipment.

Natural Resources

Mineral Royalties: Royalties in the Western States and in Major Mineral-Producing Countries

GAO/RCED-93-109, Mar. 29 (66 pages).

The Mining Law of 1872 governs mining for most minerals on federal lands, the vast majority of which are found in the western states and Alaska. This legislation allows individuals to stake claims on federal lands and mine ore, including copper, gold, and silver, without compensating the government. In contrast, the government has been receiving royalties for coal and natural gas on federal lands since the 1920s. Congress has considered but has yet to amend the law to ensure that the public receives a fair return for minerals extracted. This report looks at how 12 western states—Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming—share in the proceeds from minerals mined on state lands and on federal and private lands within each state. GAO also discusses how Australia, Canada, and South Africa—three of the largest mineral-producing countries—share in the proceeds from minerals mined in those countries.

Rangeland Management: BLM's Range Improvement Project Data Base Is Incomplete and Inaccurate

GAO/RCED-93-92, Apr. 5 (18 pages).

The Bureau of Land Management (BLM) spent about \$18 million in fiscal years 1990 and 1991 to improve the public rangeland. These funds came from fees paid by ranchers to graze their livestock on BLM land. The law requires that the funds be used for projects such as fencing, weed control, and water development that benefit rangeland resources, including wildlife, watersheds, and livestock. This report discusses how range improvements are accounted for, including (1) the types of range improvement projects funded, (2) the cost of each project, and (3) the rangeland resources benefiting from these projects. GAO also provides information on the role that grazing advisory boards play in determining which range improvement projects are funded each year.

**Rangeland Management:
Profile of the Forest Service's Grazing Allotments and Permittees**

GAO/RCED-93-141FS, Apr. 28 (26 pages).

This fact sheet provides information on livestock grazing on public rangeland managed by the Forest Service, which allows ranchers to graze cattle on parcels of land called allotments. The Forest Service bills ranchers for the grazing, measuring usage by animal month, defined as one month's use and occupancy of the range by one adult cow, or five sheep or goats. GAO discusses (1) the number, the average acreage, and the average stocking rate of Forest Service allotments and (2) the total and the average number of animal months controlled by Forest Service permittees. GAO grouped the allotment and permittee information into several categories, emphasizing the 500 largest and smallest allotments and permittees. In general, grazing allotments in the western United States were concentrated among the largest ranchers. The 500 largest allotments GAO studied encompassed more than 29 million acres, or about 32 percent of the total allotment acreage. In contrast, the 500 smallest allotments accounted for about 49,000 acres, or 0.05 percent of the total allotment acreage. Similarly, the 500 permittees with the highest livestock grazing levels accounted for nearly 4.5 million animal months, or nearly half of the total number of animal months. The 500 permittees with the lowest livestock grazing levels accounted for about 8,500 animal months, or 0.09 percent of the total number of animal months allowed.

**Science, Space, and
Technology**

**NASA Aeronautics:
Impact of Technology Transfer Is Uncertain**

GAO/NSIAD-93-137, Mar. 16 (12 pages).

NASA, the focal point for the federal government's support of aeronautics technology, is responsible for preserving the United States' leadership role in aeronautical science and technology and for disseminating information resulting from its activities. These efforts are vital because the civil aeronautics industry, employing about 700,000 workers, plays a major role in commerce, transportation, and national security. In 1991 it provided a \$29 billion boost to the U.S. trade balance. The industry is also known for fostering spin-offs of advanced technology products useful in other sectors of the U.S. economy. This report identifies NASA's technology transfer

activities and assesses their impact on the industry's international competitiveness.

Tax Policy and Administration

Tax Administration: Erroneous Dependent and Filing Status Claims

GAO/GGD-93-60, Mar. 19 (23 pages).

The rules for claiming dependent exemptions are too complex and burdensome for many taxpayers to comply with. According to the Internal Revenue Service (IRS), taxpayers erroneously claimed exemptions for an estimated 9 million dependents in 1988, improperly lowering their taxable incomes by about \$17 billion. IRS also found that an estimated 3 million taxpayers claimed the wrong filing status. This report (1) identifies the sources of erroneous dependent and filing status claims, (2) discusses the need to simplify the laws on dependents and filing status, (3) determines what IRS is doing to address any erroneous claims, and (4) suggests changes IRS could make in its compliance programs.

Tax Policy: Many Factors Contributed to the Growth in Home Equity Financing in the 1980s

GAO/GGD-93-63, Mar. 25 (78 pages).

Home equity financing, estimated to represent about 12 percent of all housing debt, or \$357 billion in 1991, grew at an average annual rate of about 20 percent between 1981 and 1991. This report reviews the use of home equity financing, including both home equity loans and home equity lines of credit, and how the Tax Reform Act of 1986 affected household use of home equity financing compared with other forms of consumer credit. GAO discusses (1) what trends exist in home equity as well as mortgage-backed financing and other kinds of consumer credit used during the 1980s; (2) who is using home equity financing and for what purposes; (3) what factors caused the growth in home equity financing; (4) what problems are associated with this type of borrowing; and (5) what the implications of various tax policy options are that might be instituted to constrain home equity borrowing.

Tax Administration:
IRS' Plans to Measure Tax Compliance Can Be Improved

GAO/GGD-93-52, Apr. 5 (21 pages).

For nearly 30 years, the Taxpayer Compliance Measurement Program has been the Internal Revenue Service's (IRS) primary method of gathering information on taxpayer compliance. IRS collects such data by auditing a random sample of taxpayer returns in which every line on a chosen return is examined. But IRS, concerned that this process costs too much, is overly intrusive on compliant taxpayers, and yields untimely data, has been planning to redesign the program. This report discusses data generated by the program, evaluates the merits of IRS' concerns with the program, and identifies way to improve the program while it continues to meet valid user needs. GAO also looks at how the redesign of the program could affect IRS' strategic objectives for the 1990s—increasing voluntary compliance, reducing taxpayer burden, and boosting productivity.

Tax Administration:
Information on Tax Counseling for the Elderly Program

GAO/GGD-93-90BR, Apr. 8 (46 pages).

This briefing report provides information on the Internal Revenue Service's (IRS) grants for the Tax Counseling for the Elderly Program. Under the program, trained volunteers, who provide tax help to the elderly, may be reimbursed for their expenses associated with assisting taxpayers. The American Association of Retired Persons (AARP) continues to be the dominant program sponsor, managing a nationwide Tax Counseling for the Elderly Program with 90 percent of all federal grant funds. AARP reported that in fiscal year 1992, its volunteers helped 1.5 million taxpayers at an average cost of \$2 per person. GAO discusses how much the nonprofit sponsoring organizations received in fiscal year 1992, how the funds were spent by the five organizations receiving the largest grants, and how accountable these groups are to IRS for the funds spent.

Tax Administration:
IRS' Test of Tax Return Filing by Telephone

GAO/GGD-93-91BR, Apr. 26 (29 pages).

The Internal Revenue Service (IRS) is testing the filing of the simplest individual income tax return, Form 1040EZ, by using a touch tone telephone. This alternative to paper filing, known as Telefile, was first tested in Ohio in 1992 and is being retested there, along with the use of voice signatures, in 1993. The 1992 study results suggest that telephone filing is a viable alternative. Taxpayers express a willingness to file by telephone, and most seem pleased with the experience. Taxpayers can get their refunds faster, and they have fewer computations to make. Telephone filing also means more accurate returns and less costly processing for IRS. The biggest obstacle to further expanding telephone filing involves security. Taxpayer identification, either a social security number or a personal identification number, placed on the outside label of the tax package mailed to eligible taxpayers can be easily compromised. IRS is aware of this drawback and is considering alternatives.

**Tax Administration:
Examples of Waste and Inefficiency in IRS**

GAO/GGD-93-100FS, Apr. 27 (40 pages).

GAO uncovered many examples of waste and inefficiency, along with cases of abuse and employee misconduct, at the Internal Revenue Service (IRS). Many of these problems can be traced to antiquated IRS computer systems, a fragmented organizational structure, and inefficient work processes. In those cases in which the costs or lost revenues were quantified, the amounts totaled about \$87 million. In some cases, the dollar effects were calculated on the basis of audit work at a few IRS locations. The dollar implications could be far greater if the examples are indicative of conditions throughout the agency. Many cases suggest that if the causes of waste, inefficiency, and abuse are not eliminated, taxpayer confidence in IRS and voluntary compliance with the tax system may be undermined. IRS recognizes these problems and is modernizing its systems and reassessing the roles and the responsibilities of its components.

Testimony

Tax Administration: Achieving Business and Technical Goals in Tax Systems Modernization, by Hazel E. Edwards, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/GGD-93-24, Apr. 27 (17 pages).

Because IRS remains burdened with manual processes and inaccessible information, taxpayers calling IRS by telephone have little hope that their questions and problems will be handled promptly. Tax Systems Modernization, a major IRS computer upgrade effort, has the potential to change this bleak picture by quickly transmitting account information to interactive workstations whenever needed. This report discusses in detail how Tax Systems Modernization (1) is changing the way IRS does business and (2) will be implemented and kept up-to-date. GAO also highlights the need for an experienced chief systems architect at the executive level to handle the technical aspects of Tax Systems Modernization and provide technical leadership.

Tax Administration: IRS' Budget Request for Fiscal Year 1994, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-93-23, Apr. 28 (51 pages).

The Internal Revenue Service's (IRS) budget request for fiscal year 1994 entails \$7.4 billion and 116,060 full-time staff—an increase of almost \$284 million and 792 positions over fiscal year 1993 levels. GAO questions the appropriateness of more than half of the requested increase for Tax Systems Modernization because it is earmarked for implementing a project for which critical plans have not been completed. Although GAO generally supports the direction IRS appears to be taking with many of the compliance initiatives, inadequate funding of its base operations could prevent IRS from delivering on those initiatives. The goals of some compliance initiatives could be met more efficiently without a further staff increase. The budget request provides for a slight increase in audit coverage, but this increase will not materialize unless IRS realizes productivity savings. Tax law changes in 1993 could boost IRS' taxpayer service work load and worsen existing difficulty in meeting taxpayer demand for telephone assistance. GAO also discusses opportunities for IRS to become more efficient.

Transportation

**Coast Guard:
Selection of Ports for Establishing or Improving Vessel Traffic
Service Systems**

GAO/RCED-93-110, Mar. 19 (19 pages).

Vessel traffic service systems—typically a central monitoring location and an array of remote surveillance sensors, such as radar and closed circuit television cameras—can be used to help monitor vessel traffic to avoid collisions, groundings, and mishaps. The Coast Guard's plans for establishing, expanding, and improving vessel traffic service systems, as indicated by its fiscal year 1993 budget request, are consistent with the Transportation Department's 1992 Port Needs Study, which prioritized the need for such systems in various U.S. ports and channels. Ninety-one percent of the \$26.8 million requested for vessel traffic service systems in fiscal year 1993 is earmarked for ports that the study considered a priority. The Coast Guard is using a cost-benefit approach to determine the specific areas within the chosen ports to be monitored by the systems. The Coast Guard plans, once it has selected the areas, to design systems that take into account specific operating needs and likely weather conditions.

**Coast Guard:
Additional Actions Needed to Improve Cruise Ship Safety**

GAO/RCED-93-103, Mar. 31 (46 pages).

The Coast Guard continues to discover safety problems aboard cruise ships, including inoperable fire doors and improperly designed escape routes. A common problem is substandard inspections by classification societies and the foreign countries in which cruise ships are registered. In addition, interpretations differ on some key international safety standards. Although the International Maritime Organization (IMO) has begun work on needed reforms, the Coast Guard has not adequately assessed information, nor shared it with IMO, on the extent of lax safety oversight by foreign countries and classification societies. The Coast Guard could improve its own examination program by (1) better collecting and analyzing results of its cruise ship examinations—the current system does not routinely track repeated deficiencies by individual companies, nations, or classification societies—and (2) providing its inspectors with more training on international safety standards. International standards contain limited training requirements for crew members responsible for fighting shipboard fires. Further, international standards for emergency information aboard cruise ships are limited and unclear. Emergency information to help passengers safely evacuate ships is often confusing and incomplete.

**Air Traffic Control:
Status of FAA's Modernization Program**

GAO/RCED-93-121FS, Apr. 16 (76 pages).

The Federal Aviation Administration has been working for more than a decade to modernize its air traffic control system. This effort has involved acquiring new equipment, such as radar and computers; upgrading older equipment; increasing automation; and consolidating facilities. GAO's fourth annual report on this subject discusses the status of the air traffic control modernization, major acquisitions, and new capabilities projects.

**Alternative Fueled Vehicles:
Potential Impact of Exemptions From Transportation Control Measures**

GAO/RCED-93-125, Apr. 19 (34 pages).

To reduce air pollution and U.S. oil dependence, Congress has passed legislation promoting the use of alternative-fueled vehicles. Several barriers, however, including higher fuel costs and uncertainty about the availability of alternative fuels, may deter businesses and consumers from buying these vehicles. As a result, legislation has been introduced that would offer potential buyers exemptions from some transportation control measures, including high-occupancy vehicle lanes. This report examines (1) how exemptions might affect achieving the transportation control measures' purposes, (2) how effective exemptions might be in increasing purchases of alternative fueled vehicles and the use of alternative fuels, (3) whether government and industry officials believe that an exemption program should be controlled by the federal government or the states, (4) how the public might react to exemptions, (5) how exemptions are likely to affect the enforcement of transportation control measures, and (6) what specific kinds of alternative-fueled vehicles might receive exemptions.

Testimony

Air Traffic Control: Uncertainties and Challenges Face FAA's Advanced Automation System, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-93-30, Apr. 19 (19 pages).

The Advanced Automation System, the largest project in the Federal Aviation Administration's (FAA) \$33 billion effort to modernize the nation's air traffic control system, has been plagued by worsening schedule delays and cost growth over the past year. FAA and IBM, the main contractor, agreed to a plan that was too ambitious, significantly underestimating the technical challenges involved. In addition, FAA oversight of IBM has been weak. Although GAO testified that recent management initiatives to overcome some of these problems appeared reasonable, it will take time for these changes to work. Moreover, GAO remains concerned about the last three segments of the Advanced Automation System. Less consolidation, a desire to implement advanced software earlier, and less tower modernization will affect project costs and schedules, user benefits, equipment location, and FAA's contract with IBM. GAO believes that continued support should depend on (1) FAA's successfully overcoming the system's technical challenges and (2) the quality of the agency's justification for restructuring and proceeding with the system.

Coast Guard: Improvements Needed in Management of Programs and Activities, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-93-28, Apr. 20 (14 pages).

The Coast Guard, like many federal agencies today, is operating in a period when funding is scarce and demand for its services is strong. Complicating this situation is the Coast Guard's increasingly broad mission, which encompasses everything from helping victims of natural disasters, like Hurricane Andrew, to intercepting Haitian refugees. As a result, the Coast Guard must function as efficiently and effectively as possible. This testimony is intended to help the Guard build on its achievements and identifies ways to strengthen the efficiency and the effectiveness of its operations and use of budgetary resources.

Surface Transportation: Budget Issues and Optimizing Investment Returns, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. GAO/T-RCED-93-29, Apr. 22 (20 pages).

Weighing alternative surface transportation investment choices is becoming increasingly complex, encompassing deterioration of the nation's roads, bridges, and transit systems; traffic congestion; air quality; energy efficiency; and mobility for the elderly and disabled. This testimony discusses key issues affecting implementation of the Intermodal Surface

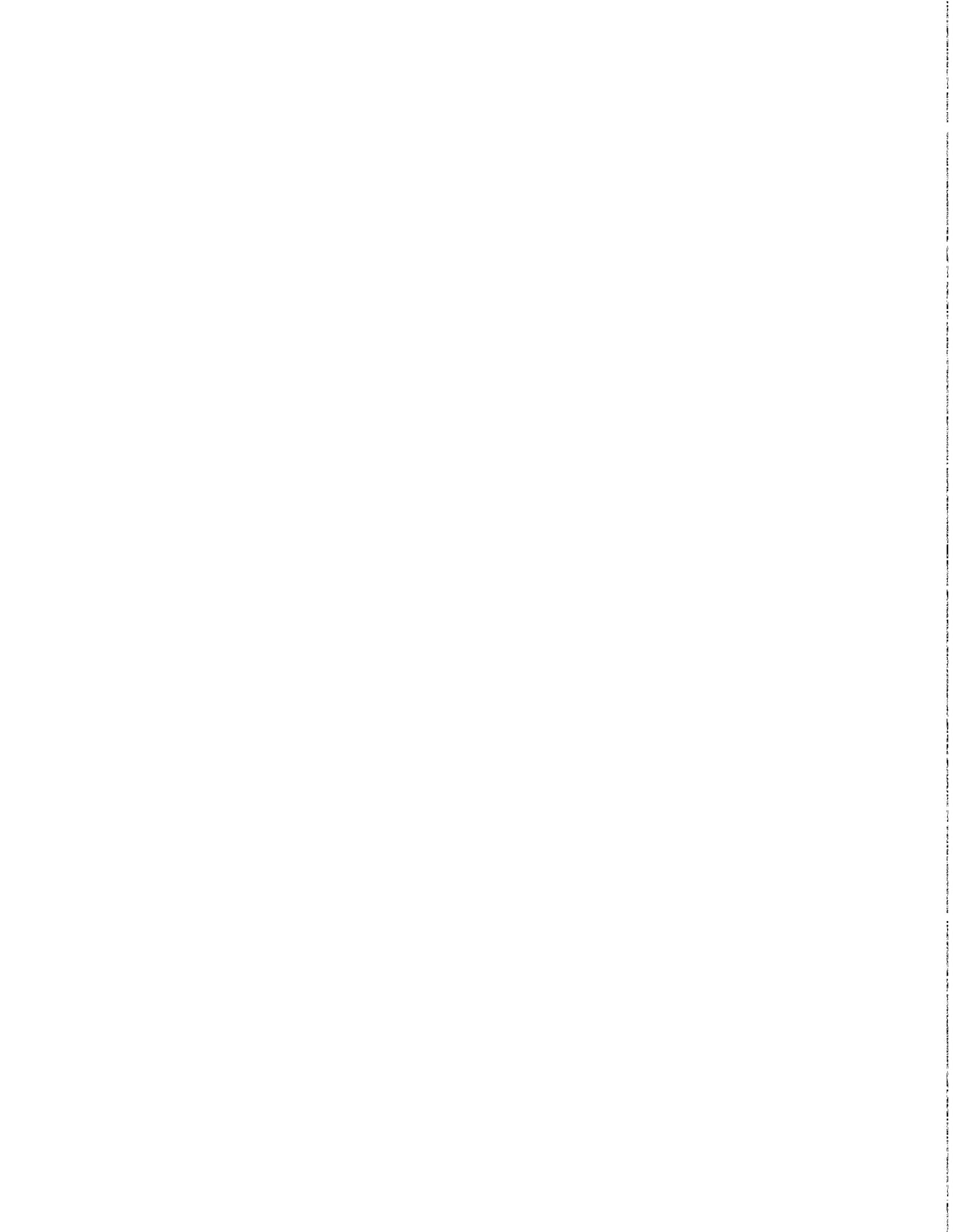
Transportation Efficiency Act of 1991, which gave states unprecedented funding to meet transportation needs as well as greater flexibility in deciding how funds should be distributed between highway and transit projects. GAO discusses the (1) variability in the projected financial condition of the Highway Trust Fund, (2) potential ramifications of authorizing new demonstration projects, (3) use of funding flexibility, and (4) need for better analytic tools for making investment choices.

FAA Budget: Important Challenges Affecting Aviation Safety, Capacity, and Efficiency, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-93-33, Apr. 26 (23 pages).

The Federal Aviation Administration's (FAA) \$9.2 billion budget request for fiscal year 1994 represents a 3.5-percent increase over the fiscal year 1993 appropriation. This includes \$2.5 billion for facilities and equipment; \$4.6 billion for operations; \$1.8 billion for grants-in-aid to airports; and \$250 million for research, engineering, and development. This testimony discusses challenges FAA faces in ensuring the aviation system's safety, capacity, and efficiency. GAO also focuses on the status of FAA's air traffic control modernization program, work forces, airport development, and aviation security initiatives.

High-Speed Ground Transportation: Strategic Approach Needed for Introduction of HSGT, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-93-35, Apr. 29 (22 pages).

Decisions on the level of U.S. funding for high-speed ground transportation, railway systems capable of sustained speeds of at least 125 miles per hour, must be made at a time when deficit cutting has made discretionary dollars especially scarce. High-speed ground transportation systems are expensive in any form, requiring a strategic selection of the most beneficial projects. This testimony reviews the alternative technologies and focuses on infrastructure improvements needed to bring high-speed ground transportation to the United States on existing railroad rights-of-way. GAO also discusses the social benefits that might accrue from introducing high-speed ground transportation and the problem of accurately assessing them.



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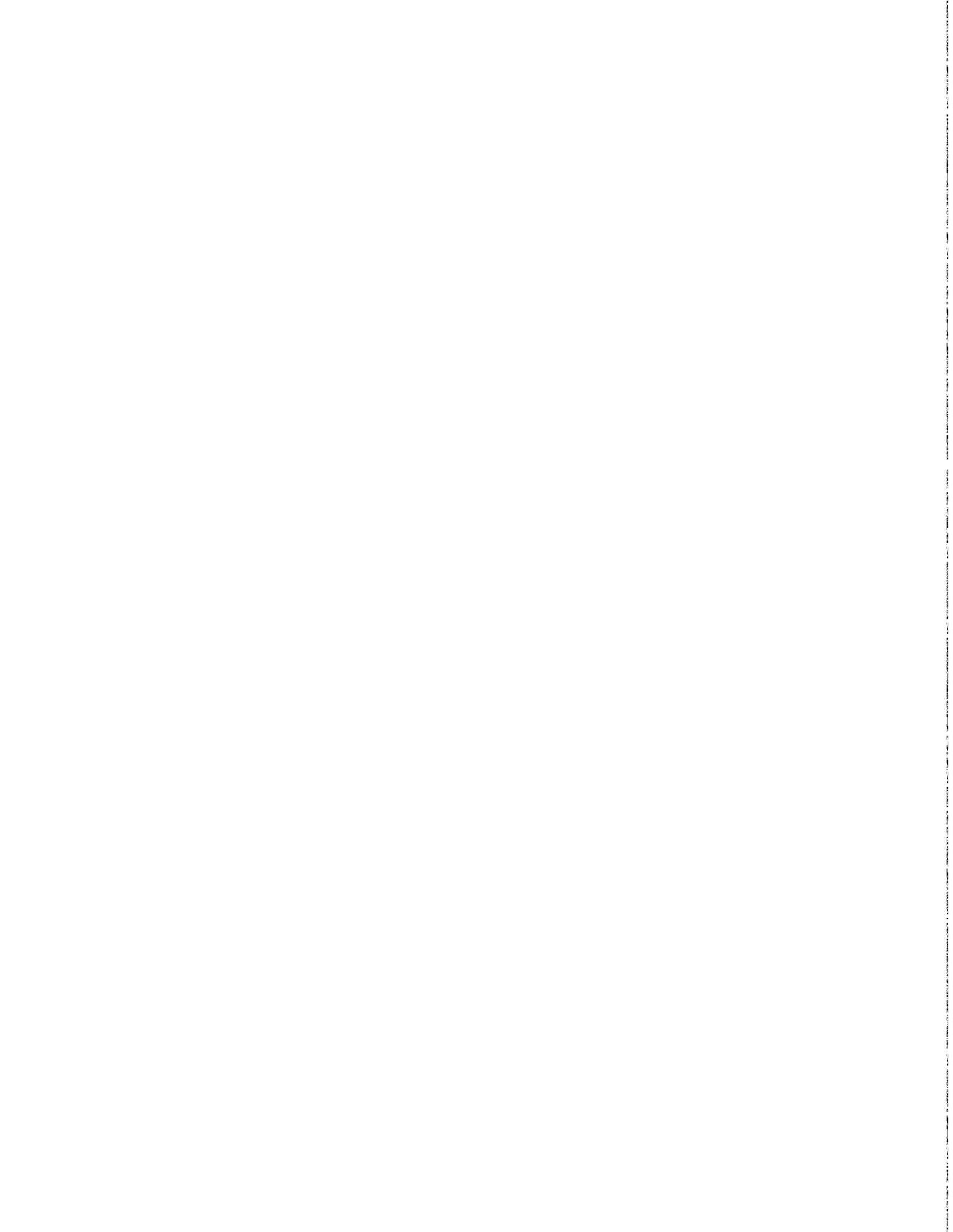
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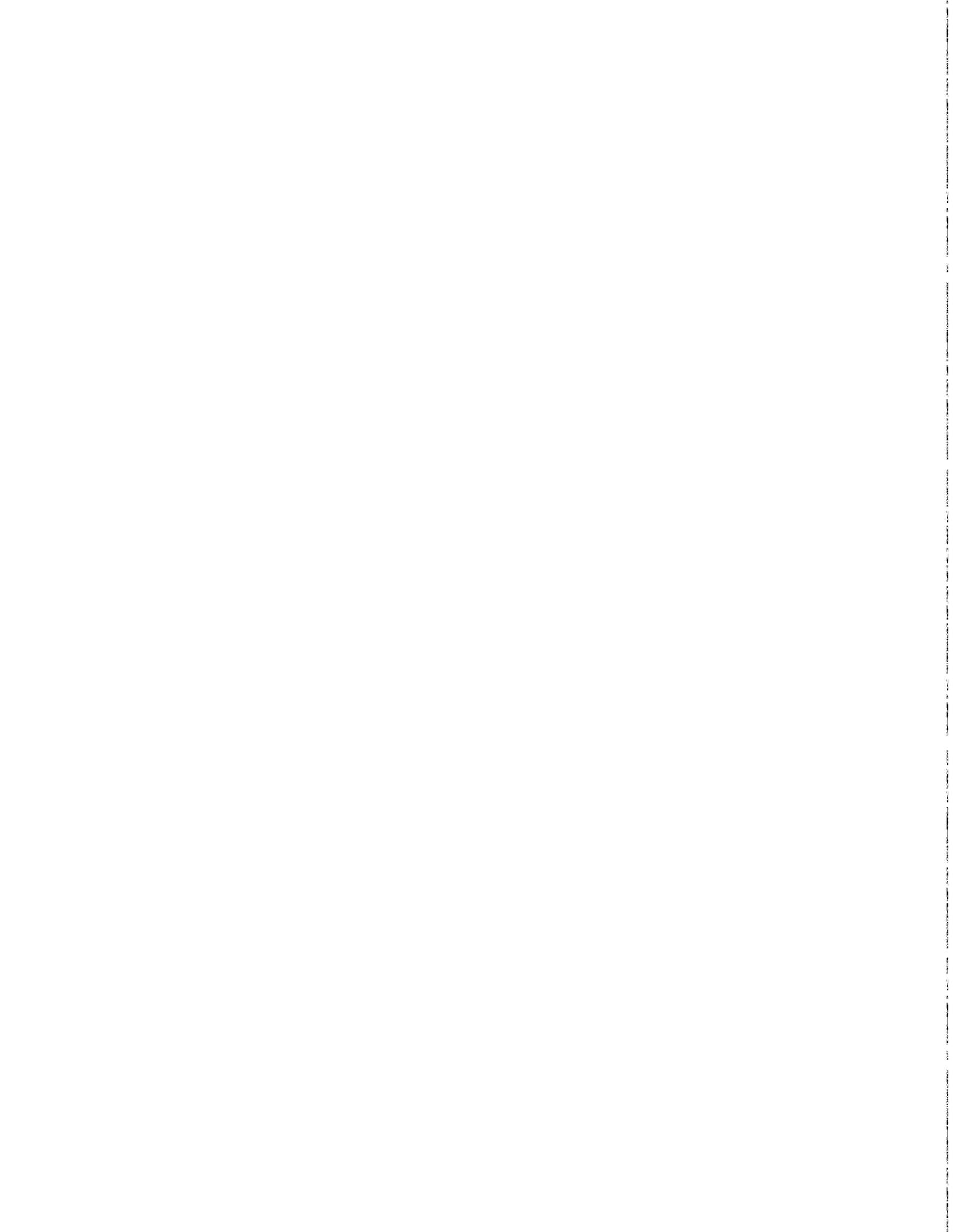
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