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# Reports and Testimony: May 1993

## Highlights

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### Sugar Program

*Designed to protect domestic producers from lower world prices, the federal sugar program costs American consumers an average of \$1.4 billion annually, with the benefits distributed among a relatively small percentage of sugar farms. Page 2.*

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### Disaster Management

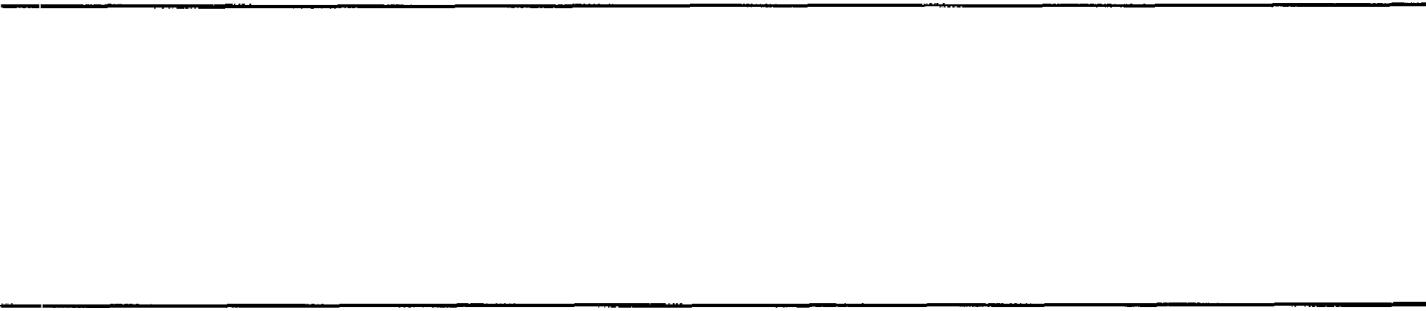
*The Federal Emergency Management Agency should establish a unit to independently assess damage and estimate response needs in the wake of catastrophic disasters, and a senior White House official should direct the initial federal response and have ongoing responsibility for oversight of FEMA. Page 8.*

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### Nuclear Waste

*At its present pace, the Energy Department's scientific study to determine the suitability of Yucca Mountain as the nation's underground nuclear waste repository won't be completed for at least 5 to 13 years beyond the current 2001 target date, and it could cost up to \$600 million more than the \$6.3 billion that has been projected. Page 10.*

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# Reports and Testimony: May 1993

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## Agriculture and Food

### **Sugar Program: Changing Domestic and International Conditions Require Program Changes**

GAO/RCED-93-84, Apr. 16 (70 pages).

The U.S. Department of Agriculture's (USDA) sugar program protects domestic sugar producers from lower world prices but has boosted domestic sugar prices, costing food manufacturers and consumers an average of \$1.4 billion annually. About 40 percent of this amount goes to producers. Yet program benefits are concentrated among a relatively small percentage of farms. GAO estimates that 42 percent of the sugar grower benefits went to one percent of all sugar farms in 1991. Although cane and beet sugar each represent about one-half of the domestic sugar market, the cane industry's benefits are more concentrated—17 cane farms received about 58 percent of the estimated cane grower benefits in 1991. Benefits for high fructose corn syrup manufacturers, which average \$548 million annually, are also concentrated: Four firms accounted for 87 percent of production in 1990. Foreign countries that export their quota sugar to the United States receive the supported domestic price, which is higher than the price these countries could receive on the world market. GAO recommends that Congress consider legislation that would move the sugar industry toward a more open market. As part of this transition, the market price for sugar should be lowered. Congress should gradually lower the loan rate for sugar and direct USDA to adjust import quotas accordingly.

### **Farm Finance: Number of New Farmers Is Declining**

GAO/RCED-93-95, May 3 (28 pages).

The number of new farmers has declined considerably in recent years, largely because of unfavorable economic conditions in the agricultural sector. Also, people interested in farming often encounter problems in obtaining financing to cover the costs of acquiring and operating a farm. The Farmers Home Administration (FmHA), "lender of last resort" for the nation's farmers, has not targeted loan funds to beginning farmers, but such individuals can get loans if they are able to meet the agency's relatively lenient loan-making standards. FmHA has given beginning farmers priority in leasing or purchasing from its inventory of farm properties, but the suitability of these properties for beginning farmers is often questionable. Additionally, some states sponsor programs that target loan

assistance to beginning farmers. Beginning farmers may have difficulty, however, in qualifying for credit through these programs or at FmHA. FmHA has yet to fully implement the beginning farmer provisions of the 1990 Farm Bill, such as establishing innovative programs for financing and for assisting in land transfers between generations of farmers. In October 1992, Congress mandated that the agency establish programs targeting farm ownership and farm operating loans to beginning farmers.

**Agricultural Marketing:  
Export Opportunities for Wood Products in Japan Call for  
Customer Focus**

GAO/RCED-93-137, May 19 (32 pages).

The U.S. forest products industry has traditionally sold most of its solid wood products, such as lumber and plywood, domestically. However, the industry recognizes that foreign markets have significant potential for growth, while domestic markets have only moderate potential for growth. This report examines approaches used by government and industry to sell solid wood products overseas, particularly in view of marketing theory's current emphasis on the importance of meeting customers' needs. GAO discusses the efforts of the Agriculture Department's Foreign Agricultural Service to support the U.S. industry in promoting its solid wood products in Japan, the United States' largest customer for these products.

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**Testimony**

U.S. Department of Agriculture: Issues Related to the Export Credit Guarantee Programs, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Economic Policy, Trade, and Environment, House Committee on Foreign Affairs. GAO/T-GGD-93-28, May 6 (25 pages).

The Export Credit and Intermediate Export Credit Guarantee Programs are the major U.S. agricultural export promotion programs. The Agriculture Department makes a total of \$5.7 billion in government loan guarantees available each year for foreign country buyers of U.S. agricultural commodities. This testimony provides a brief overview of the programs, describing how they work, what type of agricultural commodities and products are sold under the programs, and who the participants are. GAO also highlights several significant problems besetting the programs.

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**Grain Inspection: Industry Views on the Decline in Official Inspections and Inspection Costs**, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agriculture, Research, Conservation, Forestry, and General Legislation, Senate Committee on Agriculture. GAO/T-RCED-93-38, May 13 (15 pages).

This testimony focuses on an April 1993 GAO report (GAO/RCED-93-147) on the official grain inspection program run by the Agriculture Department's Federal Grain Inspection Service. GAO discusses (1) the decline of official inspections in the domestic market and the impact of that decline, (2) fees that official inspection agencies charge for official domestic inspections, (3) fees that the Service charges for export inspections, and (4) potential options for reducing inspection fees.

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## Budget and Spending

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### Testimony

**Budget Policy: Federal Capital Budgeting**, by Paul L. Posner, Director of Budget Issues, before the Subcommittee on Economic Development, House Committee on Public Works and Transportation. GAO/T-AFMD-93-7, May 26 (23 pages).

The need for policymakers to develop a long-range economic perspective on their budgetary decisions argues for a separate focus in the budget on those investment programs having a long-term impact on the potential productive capacity for the economy. In this testimony on pending legislation that would establish a federal capital budget, GAO expresses concerns about investment and long-term economic growth in the United States and the role that budget decisions play in promoting that growth. In GAO's view, the most important contributions that the federal government can make to a healthy and growing economy are reducing the federal deficit and making wise decisions on investments that will foster economic growth. The current budget structure, with its focus on short-term goals, does not meet these needs.

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## Business, Industry, and Consumers

**Industrial Development Bonds: Achievement of Public Benefits Is Unclear**

GAO/RCED-93-106, Apr. 22 (30 pages).

The federal government gave up more than \$2 billion in revenue in 1991 because of the tax-exempt status of small issue industrial development bonds. The bonds, issued by state and local governments, fund the creation and expansion of manufacturing facilities. Because of the public benefits associated with these bonds, interest earned by investors from them is exempt from federal tax. GAO found that although these bonds are being used for their intended purpose—financing manufacturing facilities—additional benefits being claimed, such as creating jobs, assisting economically depressed areas, and fostering start-up companies, are hard to substantiate. Concerns that the bonds are subject to high default rates or are paid off early, thus removing restrictions requiring the project to remain in manufacturing, were not substantiated by GAO's work.

**Small Business:  
Financial Health of Small Business Investment Companies**

GAO/RCED-93-51, May 5 (40 pages).

Under a program created by the Small Business Investment Act of 1958, small businesses investment companies provide financing to small businesses through equity investments (stock) and debt (loans). The companies obtain their money primarily from two sources—privately invested capital and long-term debentures guaranteed by the Small Business Administration (SBA). When a company has losses exceeding half of its private capital or is unable to repay SBA for leverage, the agency may liquidate the company. When this occurs, small businesses lose an important source of financing, and the private investors and the federal government can lose all or part of their investments. Between October 1986 and September 1991, SBA incurred losses of more than \$90 million due to such liquidations. This report provides information on (1) reasons for small business investment companies' liquidations between January 1986 and March 1991, (2) a comparison of the financial performance of active and liquidating companies, and (3) the statistical correlation of several key characteristics of the companies and their investments with their liquidations and financial performance.

**Testimony**

NAFTA: Issues Related to Textile/Apparel and Auto and Auto Parts Industries, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-93-27, May 4 (22 pages).

Considerable controversy surrounds the possible impact of the North American Free Trade Agreement (NAFTA) on employment and trade overall, and in specific industries. This testimony discusses NAFTA's effect on the textile/apparel and auto and auto parts industries. GAO also examines the Customs Department's administration and enforcement of NAFTA provisions that are important to these industries.

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## Civil Rights

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### Testimony

Alcohol, Tobacco, and Firearms: Bureau's Handling of Sexual Harassment and Related Complaints, by Barney L. Gomez, Assistant Director in the Office of Special Investigations, before the Senate Committee on Governmental Affairs. GAO/T-OSI-93-1, May 26 (20 pages).

GAO testified that the Bureau of Alcohol, Tobacco, and Firearms has not adequately developed, implemented, or communicated the roles of its Offices of Internal Affairs, Equal Employment Opportunity, and Law Enforcement and the Treasury Department's regional complaint centers in addressing incidents of alleged sexual harassment and other discriminatory behavior. This lack of coordination has led to these offices conducting separate inquiries into the same incident. On five occasions between February 1989 and January 1993, the Bureau Director distributed policy statements to Bureau employees requiring a harassment-free workplace. Implementation of that policy, however, has been mixed. Among employees GAO spoke with, concerns and observations surfaced about the confidentiality, objectivity, and independence of some of the Bureau's inquiries. In addition, Bureau employees' general lack of knowledge about actual or potential Bureau actions against harassers compounded their concerns.

Federal Employment: Progress of Women and Minorities in Key Federal Jobs and Handling of EEO Complaints at the Bureau of Alcohol, Tobacco, and Firearms, by Nancy Kingsbury, Director of Federal Human Resource Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-93-33, May 26 (21 pages).

GAO testified that although the number of women and minorities in key jobs has generally improved at the 25 federal agencies it reviewed, these groups are still less well represented in key jobs at upper grades than at

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lower grades. GAO also testified that the Bureau of Alcohol, Tobacco, and Firearms has not coordinated the roles of its various internal offices to address sexual harassment and other forms of discrimination. As a result, these offices occasionally have undertaken separate investigations of the same incident. Doubts have been raised about the confidentiality, objectivity, and independence of some of the Bureau's inquiries. These concerns range from a perceived lack of confidentiality during internal investigations to disparities in the rights accorded complainants during separate Bureau inquiries of the same incident.

Legislative Employment: EEO Complaint Processing by the House Office of Fair Employment Practices, by Nancy Kingsbury, Director of Federal Human Resource Management Issues, before the Joint Committee on the Organization of Congress. GAO/T-GGD-93-30, May 27 (20 pages).

GAO reviewed the House Office of Fair Employment Practices' process for handling employment discrimination complaints. Instead of investigating complaints, the Office follows a three-step process that consists of (1) counseling and mediation; (2) formal complaint, hearing, and review; and (3) final review by an eight-member review panel. Since the Office started up in November 1988, it has received more than 1,200 inquiries or expressions of concern relating to fair employment practices and violations of the Fair Labor Standards Act. The employees most often alleged that they had been discriminated against on the basis of race, age, and/or color. The issue cited most often by the complainants was termination of employment. Although the number of complaints filed since the Office began operations is relatively small, it is unclear whether this reflects a high turnover rate among House employees, confidentiality concerns, a lack of meritorious cases, or problems with the Office's process.

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## Economic Development

### Rural Development: Profile of Rural Areas

GAO/RCED-93-40FS, Apr. 29 (32 pages).

This fact sheet presents a demographic and economic profile of rural areas that GAO developed on the basis of existing data sources. GAO discusses (1) trends in the population and age of persons in nonmetropolitan counties; (2) trends in nonmetropolitan per capita income, employment,

and economic activities; and (3) the geographic distribution of farm program payments.

## Testimony

Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Senate Committee on Governmental Affairs. GAO/T-RCED-93-20, May 18 (48 pages); and

Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Nuclear Deterrence, Arms Control, and Defense Intelligence, Senate Committee on Armed Services. GAO/T-RCED-93-46, May 25. (50 pages).

Several recent catastrophes—especially Hurricane Andrew in South Florida—have led to growing dissatisfaction with the nation's system for responding to major disasters. The federal strategy lacks provisions for the federal government to (1) comprehensively assess damage and the needs of disaster victims and (2) provide food, shelter, and other essential services when local volunteer efforts are not enough. Even when there is warning of an impending disaster, advance preparations are not clearly authorized until after the President has issued a disaster declaration. In addition, the Federal Emergency Management Agency (FEMA) could make better use both of its own resources as well as those it provides to state and local government to improve overall preparedness for catastrophes. GAO recommends that FEMA establish a disaster unit to independently assess damage and estimate response needs following a catastrophe. Second, the President should appoint a senior White House official to oversee FEMA and the federal response to disasters.

## Education

**Department of Education:  
Long-Standing Management Problems Hamper Reforms**

GAO/HRD-93-47, May 28 (44 pages).

The department charged with managing the federal investment in education and leading the long-term effort to improve education lacks a clear management vision of how to best marshal its resources to achieve

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its mission. The Education Department's history is replete with long-standing management problems that have erupted periodically and diverted attention from the policy agenda. Financial management at the guaranteed student loan program is a case in point. This report, one in a series of GAO management reviews of federal departments and agencies, identifies problems in the Education Department's planning processes and recommends implementation of a strategic management process

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## Testimony

Systemwide Education Reform: Federal Leadership Could Facilitate District-Level Efforts, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor. GAO/T-HRD-93-20, May 4 (10 pages).

The 1980s saw a host of education reforms, most of which addressed individual parts of the system, such as merit pay for teachers, smaller class sizes, and increased academic requirements for graduation. Yet many educators and policymakers now believe that to improve student learning, the education system as a whole must be overhauled. These changes center on 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 linked to those outcomes. This testimony draws on an April 1993 GAO report (GAO/HRD-93-97) that examined four school districts with years of experience in implementing systemwide reform. In these districts, systemwide reform has been a long-term, ongoing process requiring substantial commitment and effort. Their experiences offer insights into the potential federal role in systemwide reform.

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## Employment

**Skill Standards:  
Experience in Certification Systems Shows Industry Involvement  
to Be Key**

GAO/HRD-93-90, May 18 (38 pages).

Organizations and industries sponsoring skill standards and certification systems believe that the time and resources devoted to developing and managing such systems represent wise investments in the future of their industry. However, sponsors have not systematically evaluated the impact of the systems on workers or employers. The most important element

common to the systems GAO reviewed is industry ownership and control. Contrary to common belief, the process of identifying occupational skill standards was not seen by certification sponsors as a formidable obstacle to establishing certification systems, but they did see other factors as obstacles, such as high costs and difficulties in developing industry coalitions and getting them to agree on standards. GAO summarized this report in testimony before Congress; see:

Occupational Skill Standards: Experience Shows Industry Involvement to be Key, by Linda G. Morra, Director of Education and Employment Issues, before the Senate Committee on Labor and Human Resources. GAO/T-HRD-93-23, May 14 (11 pages).

## Energy

### **Nuclear Waste: Yucca Mountain Project Behind Schedule and Facing Major Scientific Uncertainties**

GAO/RCED-93-124, May 21 (56 pages).

In response to the buildup of highly radioactive waste at more than 70 nuclear facility sites across the country, the Department of Energy (DOE) has been developing an underground repository that was expected to be up and running in 1988. By 1991, DOE was estimating that its scientific investigation of a site at Yucca Mountain, Nevada, could be completed in 2001 at a cost of \$6.3 billion and that, if the site proved suitable, a repository could be in operation in 2010. GAO found that at its present pace, DOE's investigation of Yucca Mountain will take at least five to 13 years longer than planned and could cost up to \$600 million more than the agency has projected. GAO recommends that DOE review the program's goals and objectives in light of the program's funding priorities. Such a review should address whether the program's emphasis on the scientific investigation of Yucca Mountain is sufficient and how that investigation can be done more efficiently without sacrificing technical quality.

### **Energy Management: DOE Has Improved Oversight of Its Work for Others Program**

GAO/RCED-93-111, Apr. 7 (16 pages).

In a February 1989 report (GAO/RCED-89-21), GAO pointed out significant weaknesses in the Department of Energy's (DOE) controls over the work it

carries out for others, primarily other federal agencies. DOE does this work, called Work for Others, either directly or through its contractors. The program cost about \$2 billion in fiscal year 1992. This report discusses (1) the problems identified in the 1989 report, (2) DOE's actions in response to these problems, and (3) other problems needing corrective actions. GAO focuses on the activities of DOE's San Francisco Field Office and its two largest facilities—the Lawrence Livermore National Laboratory and the Lawrence Berkeley Laboratory—which are run for DOE by the University of California.

**Nuclear Regulation:  
Better Criteria and Data Would Help Ensure Safety of  
Nuclear Materials**

GAO/RCED-93-90, Apr. 26 (73 pages).

Nuclear materials—some intensely radioactive—are widely used in instruments that identify flaws in construction materials for bridges and other structures, as well as in medicine to treat diseases like cancer. The Nuclear Regulatory Commission (NRC) regulates the safe use and control of these materials. NRC enforces its regulations either on its own or by entering into agreements with states. These states assume regulatory responsibility and must have programs that are compatible with NRC's and are adequate to protect public health and safety. In response to congressional concerns about whether NRC is adequately protecting the public from these nuclear materials, this report reviews (1) the comparability of NRC's programs for agreement states and NRC-regulated states, including assessments of the effectiveness of both programs, and (2) NRC's actions on GAO's past recommendations.

**Energy Policy:  
Changes Needed to Make National Energy Planning More Useful**

GAO/RCED-93-29, Apr. 27 (36 pages).

The oil and price shocks of the early 1970s spurred Congress to create a permanent mechanism for developing and implementing a national energy policy. Under the law, the President must submit a comprehensive national energy plan to Congress every two years. GAO found that the six national energy plans submitted by three administrations since 1979 have varied significantly in responding to the law's provisions. Although most plans set objectives and outlined strategies to achieve them, no plan fully

addressed the act's main provisions. For example, no plan established the specified five- and 10-year objectives. Most plans included only general goals, and only three plans provided analysis supporting these goals. The administrations' differing views on the federal role in energy as well as new energy developments influenced the content of the plans and the degree to which they addressed the law's provisions. GAO believes that although the law provides a useful framework for developing an energy policy, the frequency and timing requirements have not contributed to effective planning. As a result, plans are unlikely to involve the comprehensive planning exercise Congress envisioned.

**Electricity Supply:  
Efforts Under Way to Develop Solar and Wind Energy**

GAO/RCED-93-118, Apr. 16 (80 pages).

Wind and sunlight have the potential to help meet the United States' electrical needs without the adverse environmental effects associated with other energy sources, yet they now supply less than one percent of the nation's electricity. This report identifies (1) economic and institutional barriers that discourage electric utilities from using wind or solar power; (2) efforts by government, utilities, and industry to foster the use of wind and solar power; and (3) ways in which the Department of Energy's programs could further assist the development of wind and solar technologies.

**Energy and Science Reports and Testimony: 1992**

GAO/RCED-93-131, Apr. 1993 (53 pages).

Included among the leading energy and science issues today are the continuing U.S. dependence on imported oil, the staggering costs to clean up the nuclear weapons complex, and the expectations for science and technology to improve U.S. competitiveness abroad. This document contains summaries of GAO reports and testimony issued during 1992 on energy and science topics. Order forms are included to obtain documents of interest.

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## Testimony

**Pipeline Safety: Use of Instrumented Technology to Inspect Pipelines**, by Allen Li, Director of Transportation Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works. GAO/T-RCED-93-41, May 18 (20 pages).

About half of the nation's supply of crude oil and petroleum products and virtually all natural gas supplies are transported through a network of more than 1.7 million miles of pipelines. Although the overall safety record of these pipelines is relatively good, a massive pipeline spill in Reston, Virginia, in March 1993 underscores the need for more sophisticated inspection technologies. This testimony focuses on the role that instrumented internal inspection devices—known as smart pigs—can play in improving pipeline safety.

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## Environmental Protection

**Environmental Enforcement: EPA Cannot Ensure the Accuracy of Self-Reported Compliance Monitoring Data**

GAO/RCED-93-21, Mar. 31 (65 pages).

Many U.S. environmental programs depend on hazardous waste and wastewater discharge facilities to identify themselves as subject to regulation, to monitor their own compliance with applicable environmental standards, and to report the results of their monitoring to the Environmental Protection Agency (EPA) or to state agencies. Because of insufficient or inconsistent controls and the generally low priority assigned to data quality assurance, EPA and many states cannot be certain that all facilities subject to regulation are identified or that sampling results are representative and free of error or falsification. Although EPA has established a data quality assurance system that calls for statistically representative sampling, the Resource Conservation and Recovery Act Program has not yet developed statistical techniques to specify the location for collecting samples and the National Pollutant Discharge Elimination System Program does not use statistical techniques to specify the frequency for collecting samples. Both programs rely instead on permit writers to determine what is representative. Neither program has adequate controls to detect error or fraud in sampling data.

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**Lawn Care Pesticides:  
Reregistration Falls Further Behind and Exposure Effects  
Are Uncertain**

GAO/RCED-93-80, Apr. 6 (41 pages).

In their quest for perfect lawns, homeowners and lawn services are applying vast quantities of pesticides to eliminate weeds and insects. Yet the potentially dangerous consequences of these pesticides—from health and environmental problems to groundwater contamination—are not widely understood by the public. Although the Environmental Protection Agency (EPA) relies on reregistration to bring older pesticides into compliance with current scientific standards, the agency continues to fall behind its schedule to reregister pesticides. EPA's most recent estimates for obtaining required studies for 12 of the 18 major pesticides used in lawn care have slipped by as much as four years. Even after reregistration, the safety of lawn care pesticides is doubtful. EPA has not developed guidelines to assess the health effects of human exposure to pesticides after they are applied to lawns. In light of increasing reports of incidents involving pesticides, EPA is reconsidering its long-held view that pesticides pose no risk to the health of homeowners and their families. EPA is particularly concerned about the pesticides' effect on children, who may play on or around treated lawns. EPA has found 13 lawn care pesticides in groundwater and has identified four potential carcinogens among the 18 major lawn care pesticides.

**Drinking Water:  
Stronger Efforts Needed to Protect Areas Around Public Wells  
From Contamination**

GAO/RCED-93-96, Apr. 14 (37 pages).

In recent years, groundwater across the country has been threatened or contaminated by harmful pollutants discharged into areas surrounding drinking water wells, often referred to as wellhead protection areas. As a result, some communities have had to shut down their drinking water wells permanently or pay tens of millions of dollars in cleanup costs. Several barriers hinder states' efforts to develop wellhead protection programs, including (1) opposition at the local level against states' enactment of land-use controls and (2) a general lack of public awareness about the vulnerability of drinking water to contamination and the need to protect wellhead areas. Environmental Protection Agency (EPA) and state

officials, however, point to a shortage of money as the major obstacle. This shortage also explains the lower priority accorded the wellhead protection programs. One way to alleviate the funding barrier is for states to integrate their wellhead protection program with their comprehensive programs. GAO believes that a further enhancement would be for EPA and Congress to reassess the absence of federal appropriations for wellhead protection programs, in light of their preventive orientation, and focus on protecting precious drinking water supplies.

## Testimony

Creation of a Department of Environmental Protection, by James F. Hinchman, General Counsel, before subcommittees of the House Committee on Government Operations. GAO/T-RCED-93-39, May 6 (19 pages).

GAO testified that conferring Cabinet status on the Environmental Protection Agency (EPA) would enable the United States to respond more effectively to the complex environmental challenges it faces. However, regardless of whether EPA becomes a Cabinet department or remains an agency, it faces several fundamental organizational and management problems. Systems must be developed to provide adequate and accurate information that will support EPA's regulatory programs and measure environmental results. Accountability for correcting existing program weaknesses must be established. Limited resources must be better managed to achieve the nation's many environmental protection goals in the face of high public expectations.

Environmental Cleanup: Unresolved Issues in Reimbursements to DOD Contractors, by Donna M. Heivilin, Director of Defense Management and NASA Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-93-12, May 20 (12 pages).

Fifteen of the Defense Department's (DOD) largest contractors estimate that their future environmental cleanup costs will total \$2.1 billion. Much of this amount could apply to non-government business, but DOD's liability could still be substantial. Because DOD does not routinely collect information on its projected costs from these contractors, it cannot properly budget for future costs of contracts for goods and services. Although DOD has said that contractors do not receive profits on their reimbursements, in some cases DOD has included such profits. DOD is also starting to pay for contractors' cleanup costs directly. In one case, the Navy agreed to indemnify contractors for cleaning up hazardous material.

The Army has similar clauses in other contracts, potentially creating additional cleanup cost liabilities.

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## Financial Institutions

### **Futures Markets: Preliminary Information Related to a Futures Transaction Fee**

GAO/GGD-93-108, May 17 (17 pages).

Shortly after GAO began studying the feasibility of funding the Commodity Futures Trading Commission (CFTC) through a futures transaction fee, the administration proposed instituting a fee on all U.S. futures transactions to cover CFTC's costs. GAO, anticipating congressional deliberation over the transaction fee proposal, prepared this report, which provides preliminary information on the fees charged by (1) federal regulators of financial markets and institutions, (2) futures and securities exchanges, and (3) foreign countries that account for the majority of global futures trading volume.

### **Deposit Insurance Funds: Compliance With Obligation and Repayment Requirements as of June 30, 1992**

GAO/AFMD-93-64, May 27 (26 pages).

The Federal Deposit Insurance Corporation's (FDIC) maximum obligation limitation calculations show that as of June 30, 1992, the Bank Insurance Fund's assets and other funding sources exceeded its obligations by \$36.9 million and the Savings Association Insurance Fund's assets and other funding sources exceeded its obligations by \$155 million. Nothing came to GAO's attention that would lead it to question the reasonableness of the amounts reported. However, FDIC had not yet finalized a policy for allocating Treasury borrowing authority between the two funds. FDIC had borrowed about \$15 billion from the Federal Financing Bank for the Bank Insurance Fund's working capital needs. These borrowings are to be repaid primarily with proceeds from the management and disposition of failed bank assets. GAO estimates, subject to considerable uncertainties, that future net recoveries from the Bank Insurance Fund's inventory of failed bank assets will be about \$22.3 million.

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## Financial Management

### **Financial Audit: Ninety-eighth Democratic New Members Caucus Financial Statements—March '85 - April '92**

GAO/AFMD-93-33, May 5 (12 pages).

GAO audited the Ninety-eighth Democratic New Members Caucus' balance sheets and related statements of operations and cash flows. GAO found the financial statements were reliable in all material respects. Although internal controls need to be improved, they generally were effective in protecting assets, ensuring material compliance with laws and regulations, and avoiding material misstatements in the financial statements. GAO was concerned, however, about the lack of procedures or guidelines governing the processing of financial transactions as well as the acceptance of a \$500 donation in violation of House regulations.

### **Financial Audit: IRS Significantly Overstated Its Accounts Receivable Balance**

GAO/AFMD-93-42, May 6 (39 pages).

The Internal Revenue Service's (IRS) reported gross accounts receivable have increased from \$15.8 billion in 1980 to \$110.7 billion as of September 30, 1991. This large balance implies that the American taxpayers owe a tremendous amount in unpaid federal taxes, and some have cited this figure as a potential source of government revenue. GAO found that the IRS reported gross receivables balance for June 30, 1991, was overstated by as much as \$39.4 billion and that about two-thirds of what was owed was unlikely to be collected. IRS overstated its gross receivables mainly because it included duplicate and insufficiently supported assessments that it had recorded as part of its efforts to identify and collect taxes due. In addition, IRS estimates regarding the collectibility of its receivables were unreliable. IRS figures have been used in congressional deliberations on the impact that increased collections could have on reducing the deficit, assessing receivables growth, evaluating IRS enforcement and collection performance, and making decisions on IRS staffing needs. Further, some taxpayers may perceive that IRS efforts to collect taxes are not equitable based on the disparity between IRS gross receivables and amounts expected to be collected. This, in turn, could affect voluntary compliance with the tax laws.

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**Financial Audit:  
U.S. Government Printing Office's Financial Statements for Fiscal  
Year 1992**

GAO/AFMD-93-62, May 11 (54 pages).

In fulfilling its responsibility for auditing the U.S. Government Printing Office's (GPO) principal financial statements for fiscal year 1992, GAO contracted with the accounting firm of Arthur Andersen & Company to do a full-scope financial audit. GAO found, consistent with the opinion of Arthur Andersen, (1) GPO's principal statements to be reliable in all material respects; (2) the internal controls in effect, although needing improvement, to be effective in protecting assets, ensuring material compliance with laws and regulations GAO tested, and ensuring that there were no material misstatements in the financial statements; and (3) no material noncompliance with budget authority and with laws and regulations tested. GAO summarized this report in testimony before Congress; see:

Financial Audit: Government Printing Office's Fiscal Year 1992 Financial Statements, by David L. Clark, Director of Legislative Review and Audit Oversight, before the Joint Committee on Printing. GAO/T-AFMD-93-5, May 11 (eight pages).

**Financial Audit:  
Customs Forfeiture Fund's Financial Statements for 1991 and 1990**

GAO/AFMD-93-55, May 13 (45 pages).

GAO reviewed the independent certified public accountants' audits of the Customs Forfeiture Fund's fiscal year 1991 and 1990 financial statements. The Fund accounts for the proceeds that the U.S. Customs Service generates from property and money forfeited during drug seizures. During its review, GAO noted a significant problem that limits the usefulness of the information in the fiscal year 1991 financial statements. GAO believes that the lack of disclosure in the fiscal year 1991 financial statements of two significant cash items obscured a complete understanding of how the Fund's internal control problems have affected its operations. The Fund's statements did not disclose that the Fund has \$6.4 million more in cash than what was recorded in the Fund's accounting records. Also, there was no disclosure that Custom's had arbitrarily added a \$10.6 million item, labeled as a "miscellaneous net increase to cash," in order to balance its

statement of cash flows. GAO disagrees with the decision not to disclose these items because stewardship over cash is highly sensitive and critical and GAO believes that the information is relevant to a reader's appraisal of the financial statements.

**Unvouchered Expenditures:  
Executive Office of the President Fiscal Year 1991 Expenditures  
Subject to Audit Were Proper**

GAO/AFMD-93-63, May 17 (four pages).

The law allows the President and the Vice President to spend unvouchered appropriated funds on the following: the operation and maintenance of the White House, official entertainment expenses, and subsistence expenses of persons in government service while they are traveling on official business in connection with the President's or Vice President's travel. GAO reviewed statistical samples of unvouchered expenditure transactions by the Executive Office of the President during fiscal year 1991 and found that these expenditures were made for authorized purposes. On the basis of the sample results and GAO's other tests of accounting records, GAO concludes that the unvouchered expenditures of about \$8 million were proper.

**Financial Management:  
Inadequate Accounting and System Project Controls at AID**

GAO/AFMD-93-19, May 24 (68 pages).

The Agency for International Development (AID) has experienced serious accounting system and financial reporting problems that precluded it from (1) reporting the use and status of all its appropriated funds, (2) ensuring that it had received property it had paid for and reliably reporting on its disposition, and (3) promptly and accurately responding to requests from Congress and others for information on program operation costs. The problems occurred because AID managers had not enforced established accounting and financial reporting procedures and devoted enough resources to resolving unmatched disbursement and clearing apparent over-disbursements in some appropriation accounts. Also, AID had not satisfactorily managed financial system improvement projects, with the result that its systems did not provide up-to-date and reliable reports.

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**Financial Audit:  
House Sergeant at Arms—Periods Ended 12-31-91, 6-30-91, and  
12-31-90**

GAO/AFMD-93-56, May 26 (24 pages).

GAO audited the balance sheets of the three appropriated funds and the "House Bank" run by the House Sergeant at Arms for the periods ending December 31, 1991, June 30, 1991, and December 31, 1990, along with the related statements of operations and cash flows for each of the six-month periods. GAO found the financial statements were reliable in all material respects. Further, GAO uncovered no material weaknesses in the internal control structure and its operation and no material noncompliance with laws and regulations.

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**Testimony**

Financial Management: Opportunities to Strengthen Management of the Defense Business Operations Fund, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-AFMD-93-4, May 13 (52 pages).

The Pentagon's Defense Business Operations Fund, a consolidation of multiple military and stock funds, has assets valued at \$126 billion and about 360,000 employees. The Fund has the potential to (1) reduce the amount of cash needed to support its operations, (2) permit better management of the investment in the Fund, and (3) reduce operating costs by highlighting the total costs of the Defense Department's (DOD) support operations. DOD continues to have difficulties in effectively implementing the Fund, however. Many important policies and procedures have yet to be developed for the Fund. Other serious problems, such as the accuracy of the Fund's financial and unit cost reports, have not been dealt with. GAO believes that delays in appointing experienced individuals to many key leadership positions have contributed to these continuing problems. GAO is encouraged by the Secretary of Defense's decision to review the Fund's operation. This review should be comprehensive and consider every aspect of the Fund's operations, such as its present management structure and progress in achieving the Fund's intended objectives. If the Secretary decides to continue with the Fund, he will need to develop an implementation strategy that (1) deals with personnel needs, (2) provides a focused and intensive effort, and (3) sets up an organizational framework to address the Fund's divided responsibilities.

## Government Operations

### **Alleged Lobbying Activities: Office for Substance Abuse Prevention**

GAO/HRD-93-100, May 4 (25 pages).

GAO investigated alleged lobbying by the Office for Substance Abuse Prevention, part of the Department of Health and Human Services (HHS). GAO found no illegal lobbying by the Office in its publications or any of its own activities. Violations of the prohibition against grass roots lobbying, however, did occur at two conferences. The grantee who organized an alcohol policy conference set aside time on the agenda for meeting with Members of Congress, and it was clear that this was to be for the purpose of lobbying for pending legislation. The Office, however, did not participate in planning or executing the lobbying. Another violation took place at the Healthy People/Healthy Environments conference when speakers urged that the audience lobby Members of Congress in support of pending legislation. Although HHS and the Office neither planned nor had advance knowledge of the grass roots lobbying at this conference, appropriated funds were used for grass roots lobbying.

### **Inspectors General: Appointments and Related Issues**

GAO/AFMD-93-74FS, May 28 (six pages).

This fact sheet provides information on federal inspectors general at various government agencies. Specifically, GAO discusses (1) inspector general appointments and related issues, (2) Department of Energy inspector general resources devoted to the audit of Federal Energy Regulatory Commission activities, and (3) agency and inspector general resources and staff in the 34 entities with inspectors general appointed by the head of the agency.

### **Puerto Rico: Confusion Over Applicability of the Electoral Law to the Referendum Process**

GAO/HRD-93-84, May 28 (15 pages).

This report responds to congressional concerns about the conduct of the referendum held in the Commonwealth of Puerto Rico in December 1991. The referendum allowed the voters to decide whether they wanted their

constitution amended to adopt six provisions affecting future political status negotiations with the United States. GAO discusses (1) the applicability of Puerto Rico's electoral law and regulations to the referendum, (2) allegations made about the referendum process, (3) public and private funds expended for the referendum, and (4) the involvement of Puerto Rican government agencies in the referendum process.

## Testimony

Federal Employment: Reauthorization of the Federal Employees Leave Sharing Act of 1988, by Timothy P. Bowling, Associate Director for Federal Human Resource Management Issues, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-93-29, May 19 (six pages).

GAO concludes that the federal leave sharing program, under which federal workers can share their annual leave with fellow workers who have exhausted their leave in medical emergencies, has received widespread support and acceptance. A recent Office of Personnel Management report and GAO's own experiences with a voluntary leave sharing program suggest that the administrative costs of the leave sharing program are not great. As a result, GAO believes that the program warrants being made permanent. The government needs to pay greater attention to employees' work/family needs. Progressive employers have learned that programs to help employees balance their work and family responsibilities are good investments that pay high dividends in terms of attracting and retaining quality employees.

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993, by Robert H. Hunter, Associate General Counsel, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-OGC-93-1, May 25 (nine pages).

Procurement reform is especially critical in today's era of federal budget austerity. Although the government spends billions of dollars on procurements, this area does not always get the attention it warrants. GAO testified in support of the Federal Acquisition Improvement Act of 1993, which seeks to bring greater efficiency and fairness to the federal procurement system.

Decennial Census: Focused Action Needed Soon to Achieve Fundamental Breakthroughs, by William M. Hunt, Director of Federal Management Issues, before the Subcommittee on Census, Statistics and Postal

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Personnel, House Committee on Post Office and Civil Service.  
GAO/T-GGD-93-32, May 27 (23 pages).

Since GAO's testimony last March on planning for the year 2000 census, the Census Bureau has altered its decision-making approach and has tried to refocus its research and development efforts. It has scrapped all 14 design alternatives that were under study for more than a year and is now concentrating on integrating promising features into a new design for possible application in the 2000 census. The Bureau must now intensively research and refine the design features that appear most promising. This testimony discusses (1) the development and use of criteria for determining what to test in 1995; (2) Bureau progress in analyzing data needs and possible content of the 2000 census; and (3) the adequacy of the recently submitted fiscal year 1994 budget request as it relates to 2000 census preparation.

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## Health

### **Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention**

GAO/HRD-93-48, Apr. 9 (74 pages).

The five Indian Health Service area offices GAO visited—Aberdeen, Alaska, California, Navajo, and Portland—differed greatly in the way that they delivered health care services. Nonetheless, the areas reported generally similar levels in the availability of basic clinical services. The services most available were treatment services, such as routine prenatal care, and diagnostic services, such as biopsies for cancer diagnoses. Almost all patients seeking such services were able to receive them. Preventive care, such as diabetes education and dental care, was comparatively less available. Service unit officials generally named alcohol and substance abuse services as their greatest unmet health need. Despite recent increases in Indian Health Service funding for alcohol and substance abuse treatment services, the gap between the demand for and availability of services persists. In addition, the Indian Health Service lacks data on alcoholism rates among native Americans and the effectiveness of current prevention and treatment programs.

**FDA Premarket Approval:  
Process of Approving Lodine as a Drug**

GAO/HRD-93-81, Apr. 12 (14 pages).

Wyeth-Ayerst Laboratories was granted a patent for Lodine in February 1978. Although originally intended to expire in February 1995, the patent expiration date was extended until February 1997. Wyeth-Ayerst is attempting to have a private bill passed by Congress that would extend the Lodine patent beyond 1997 because the company believes that the length of time needed to obtain premarket approval by the Food and Drug Administration was excessive. Wyeth-Ayerst contends that the 97-month period taken by FDA to grant approval deprived the company of a substantial period of patent protection. This report reviews the events surrounding the approval of Lodine and clarifies the related circumstances.

**Screening Mammography:  
Higher Medicare Payments Could Increase Costs Without  
Increasing Use**

GAO/HRD-93-50, Apr. 22 (17 pages).

Increasing the cap on Medicare payments to encourage physicians to offer mammography in their offices is not a cost-effective way to expand the use of screening mammography. A study by the Department of Health and Human Services shows that the United States already has more than enough mammography machines, even if all women received screening mammograms at intervals suggested by the National Cancer Institute. A substantial increase in the Medicare payment to support more low-volume machines is likely to increase excess capacity, increase prices for mammograms, and reduce the availability of affordable mammography services. In addition, inconsistent guidelines issued by the Health Care Financing Administration and differing Medicare regulations for diagnostic and screening mammography have led to confusion about the appropriate billing procedures for screening mammography provided under package leasing arrangements.

**Medicare:  
Renal Facility Cost Reports Probably Overstate Costs of  
Patient Care**

GAO/HRD-93-70, May 18 (22 pages).

Medicare helps patients suffering from kidney failure with the costs of dialysis treatments by paying dialysis facilities a predetermined amount per outpatient treatment. A full year of dialysis treatments at Medicare's average payment rates costs more than \$19,000, of which the program pays 80 percent and the patient 20 percent. The dialysis industry believes that the Medicare dialysis payment rates should be raised, but the Health Care Financing Administration has proposed reducing the fees. This report answers the following questions: Are the definitions Medicare uses to define costs for payment rate-setting purposes adequate? What is the quality of the most recent audited cost data for rate-setting purposes? Do costs incurred by integrated and nonintegrated firms differ? (An integrated firm might run two or more dialysis facilities through a home or office or own related businesses, such as a laboratory or a supply company, to support its dialysis facilities.) GAO found that 1990 Medicare audits of dialysis facility cost reports were incomplete and poorly done. If the audits had been adequately done, additional unallowable costs would probably have been uncovered and removed from the cost reports, resulting in a further reduction of the median cost per treatment. GAO also found that integrated facilities provide dialysis treatments at substantially lower cost than nonintegrated firms.

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**Testimony**

**Medical Malpractice: Experience With Efforts to Address Problems**, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-93-24, May 20 (32 pages).

Although the precise extent to which medical malpractice has contributed to the nation's spiralling health care bill is unknown, there is little question that the costs associate with it run into the billions of dollars. The United States faces higher costs for medical malpractice insurance and associated defensive medicine costs than other nations. Of equal importance are the profound effects that medical practice is having on the way medicine is practiced in the United States—effects that can be expected to grow in the future if the malpractice system is not reformed. GAO testified that reform of the medical malpractice system should address three fundamental

issues: reducing the incidence of negligent care, fairly compensating individuals injured through medical negligence, and dealing with the complexities involved in efforts to enhance the overall quality of U.S. health care.

Private Health Insurance: Wide Variation in State Insurance Departments' Regulatory Authority, Oversight, and Resources, by Leslie G. Aronovitz, Associate Director for Health Financing Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-93-25, May 27 (28 pages).

The rapidly rising cost of health insurance and the growing number of uninsured have pushed the debate over health care reform to the forefront. Because most national health care reform proposals include provisions that could fundamentally alter the health insurance marketplace, states and their insurance departments could play a large role in enforcing new requirements should any of these proposals be adopted. Drawing on its nationwide survey of state insurance departments, GAO discusses (1) what portion of the health insurance market is regulated by state insurance departments; (2) the standards state insurance departments follow and the extent of their regulatory responsibilities; (3) the budget and staff resources state insurance departments commit to regulating health insurance; and (4) the key activities departments perform, including monitoring solvency, reviewing rates and policy forms, and responding to consumer complaints.

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## Housing

### **Lead-Based Paint Poisoning: Children Not Fully Protected When Federal Agencies Sell Homes to Public**

GAO/RCED-93-38, Apr. 5 (48 pages).

Lead paint was used in homes until the 1970s, including many of the 110,000 homes sold to the public in fiscal year 1992 by the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, and the Farmers Home Administration. In response to the devastating consequences of lead poisoning among young children, Congress in 1988 strengthened requirements for single-family homes that the government sells to the public. Agencies were required to test—rather than visually inspect—painted surfaces, treat both defective and intact surfaces containing lead, and notify purchasers of test results. Yet HUD

never revised its regulations to reflect the tougher 1988 testing and treatment requirements. Even the less stringent regulations have not been fully implemented by the agencies' field offices. For example, although HUD requires that inspections be documented, the field offices GAO reviewed could not produce this documentation. This report also discusses how recent legislation has affected lead-based paint hazards.

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## Testimony

### Multifamily Housing: Impediments to Disposition of Properties Owned by the Department of Housing and Urban Development, by Judy A.

England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance, and Urban Affairs. GAO/T-RCED-93-37, May 12 (11 pages).

During the past three years, the Department of Housing and Urban Development's (HUD) inventory of multifamily housing has surged from 10,000 units in 1990 to 27,000 units in 1992. In addition, HUD has begun foreclosing on another 42,000 units. GAO found that the most significant impediment to the disposition of this inventory is the shortage of federal funds for rental subsidies needed to preserve units for low- to moderate-income tenants. Once the federal government is obligated to preserve these units, HUD will pay the cost of preservation whether the properties are sold or whether they remain in HUD's inventory. In the absence of any action to change this situation, HUD will remain the landlord for a huge inventory of properties—a role that HUD was never intended to play nor has it been adequately staffed to fulfill.

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## Information Management

### **Medicaid: Data Improvements Needed to Help Manage Health Care Program**

GAO/IMTEC-93-18, May 13 (19 pages).

Although high-quality data are needed to help manage the Medicaid program and to provide critical input to urgent national health care issues, the Health Care Financing Administration (HCFA) has done little to ensure the data's accuracy and completeness. Many studies have shown that the data states are reporting from their Medicaid information systems are often inaccurate, inconsistent, and incomplete. HCFA has not fixed these problems because it has not viewed resolution of data deficiencies to be a

high priority. As a result, the lack of quality data has made it hard to determine how well people are being served by Medicaid.

**High Performance Computing:  
Advanced Research Projects Agency Should Do More to Foster  
Program Goals**

GAO/IMTEC-93-24, May 17 (42 pages).

The Advanced Research Projects Agency's goal of achieving a thousand-fold increase in useful computing power by 1996 will likely not be met without greater emphasis on the development of system software. High performance computing refers to the use of advanced computing technologies, especially supercomputers, to quickly solve very complex, numerically intensive problems. Topics being studied range from global climate change to molecular structure. The Advanced Research Projects Agency has the largest budget—\$275 million in fiscal year 1993—of any single agency participating in the \$800-million federal initiative to accelerate the introduction of high performance computers and networks. This report examines (1) the agency's distribution of advanced computers to research sites, (2) interaction with the research community, and (3) the balance between hardware and software investments in the program.

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**International Affairs**

**Intercountry Adoption:  
Procedures Are Reasonable, but Sometimes Inefficiently  
Administered**

GAO/NSIAD-93-83, Apr. 26 (93 pages).

Each year, U.S. citizens adopt between 7,000 and 10,000 foreign children for a variety of reasons—often because the prospective parents believe that they are ineligible for domestic adoptions and consider intercountry adoptions to be faster, easier, and less expensive adoptions. Once involved in the adoption process, however, some parents find the process to be complex, stressful, and difficult to complete. GAO found that the procedures of the U.S. agencies involved in such adoptions are reasonable and necessary. A GAO survey of parents and private adoption agencies who completed intercountry adoptions in 1991 disclosed that 70 percent of the parents were generally satisfied with the overall adoption process. GAO did find that the U.S. agencies did not administer some of their procedures efficiently—specifically, in processing the parents' fingerprints for

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background checks and in transmitting case data to overseas visa-issuing offices. These inefficiencies sometimes led to adoption processing delays.

**Foreign Assistance:**

**U.S. Efforts to Spur Panama's Economy Through Cash Transfers**

GAO/NSIAD-93-56, May 10 (57 pages).

In response to the President's proposals, Congress in 1990 provided nearly \$500 million to help revive Panama's ailing economy. Documents at the Agency for International Development (AID), however, do not provide an analytical basis showing how the executive branch justified the size of the total aid package for Panama or the size and composition of the component parts. AID believes that the assistance program has been a success because the Panamanian economy has improved since the program began in mid-1990. Although this large cash infusion probably had an impact, GAO questions whether the U.S. cash grants jump-started the Panamanian economy, especially since 60 percent of the assistance was not disbursed until 1992 or later, well after the economy had begun to rebound.

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**Justice and Law  
Enforcement**

**Drug Control:**

**Coordination of Intelligence Activities**

GAO/GGD-93-83BR, Apr. 2 (22 pages).

This briefing report provides information on the coordination of domestic narcotics intelligence activities. Several organizations have established intelligence centers to collect and analyze intelligence. GAO discusses (1) the number and the functions of federal counternarcotics intelligence centers, (2) duplication found among their intelligence analyses, (3) past efforts to coordinate agencies' antidrug intelligence activities, and (4) the role and authority of the Office of National Drug Control Policy and its efforts to coordinate intelligence activities.

**Prison Inmates:**

**Better Plans Needed Before Felons Are Released**

GAO/GGD-93-92, Apr. 20 (20 pages).

In studying inmates after their release from prison, GAO found that the Bureau of Prisons often failed to provide complete and timely release plans to probation officers. In more than half of GAO's sample of 73 cases, Bureau officials did not provide release plans to probation officers at least 60 to 90 days before an inmate's release. Plans were often nonexistent or lacked important information needed to monitor an inmate in the community. This shortcoming can lead to problems, such as an increased likelihood of inmates returning to crime, inmates being on the street with nowhere to go, and inmates not getting the medical or substance abuse treatment they need.

**Drug Control:  
Revised Drug Interdiction Approach Is Needed in Mexico**

GAO/NSIAD-93-152, May 10 (53 pages).

Mexico is now the main route used by South American drug traffickers to bring cocaine into the United States. The Drug Enforcement Administration reports that two-thirds of the cocaine smuggled into the United States during 1990—an estimated 350 metric tons—was channeled through Mexico. The United States and Mexico started up the Northern Border Response Force Program in 1990 to interdict South American drug traffickers and make northern Mexico an unattractive staging area for U.S.-bound cocaine shipments. The United States has provided nearly \$40 million in direct assistance for the program so far. This report examines (1) the status of the program, (2) problems encountered in implementing the program, and (3) future plans to expand drug interdiction activities in Mexico and neighboring Latin American countries.

**Testimony**

**Money Laundering: The Use of Bank Secrecy Act Reports by Law Enforcement Could Be Increased**, by Henry R. Wray, Director of Administration of Justice Issues, before the House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-93-31, May 26 (19 pages).

For more than 20 years, the Bank Secrecy Act, which requires the reporting of cash transactions exceeding \$10,000, has been a major weapon in the government's fight against money laundering. Focusing on the use of the financial transaction reports required by the act, this testimony assesses where the federal effort against money laundering now stands. Although the act has forced money launderers to find other ways

of converting currency, such as smuggling cash out of the country or using businesses and nonbank institutions, law enforcement agencies are not taking full advantage of the currency transaction reports required for each deposit, withdrawal, or transfer in excess of \$10,000. The large volume of reports has made meaningful analysis difficult. Moreover, access to the data—particularly at the state level—is limited and cumbersome. Federal resources to enforce currency transaction report provisions at nonbank institutions may be insufficient to ensure compliance. Increased involvement by state authorities in enforcing reporting requirements could be a way to supplement federal efforts.

## National Defense

### **Export Controls: Issues in Removing Militarily Sensitive Items From the Munitions List**

GAO/NSIAD-93-67, Mar. 31 (70 pages).

With the opening up of the former Soviet Bloc, U.S. exporters are pressing to liberalize U.S. export controls to boost their export competitiveness. In November 1990, the President order the removal of dual-use items from the U.S. Munitions List and its licensing controls unless significant national security interest would be jeopardized. In response to congressional concerns that national security interests may not be adequately considered when weighed against the commercial and economic benefits of liberalized export controls, this report examines (1) items being considered for removal from the List and (2) the extent to which national security interests were being considered and protected in the decision process.

### **Apache Helicopter: Tests Results for 30-Millimeter Weapon System Inconclusive**

GAO/NSIAD-93-134, Apr. 1 (37 pages).

Although the Army maintains that the Apache's area weapon system has passed most endurance requirements, exceeded reliability requirements, and passed accuracy requirements, testing procedures and conditions did not produce enough information to fully assess whether these requirements were met. GAO recommends that the Army (1) require the contractor to retest the area weapon system to ensure that it meets contract reliability specifications, (2) operationally test the area weapon

system to determine what the field users can realistically expect to achieve in terms of reliability performance and distribute the results to the user community, and (3) validate the accuracy improvements on each of the different fuselage configurations during the October 1993 accuracy test.

**Test and Evaluation:  
Little Progress in Consolidating DOD Major Test Range Capabilities**

GAO/NSIAD-93-64, Apr. 12 (37 pages).

As its budget declines, the Pentagon is faced with hard choices about how best to manage its \$25 billion worth of test ranges. During the last three years, the Defense Department (DOD) has been working on ways to achieve savings and cut costs by consolidating test capabilities and streamlining management arrangements. This report discusses (1) the extent to which DOD has achieved savings and benefits through its consolidation efforts and (2) the effectiveness of the interservice consolidation process known as test and evaluation reliance. GAO notes that although DOD has realized some test and evaluation savings to date, it has missed potentially significant savings by not aggressively consolidating existing test range capabilities. Some test capability consolidations have resulted from intraservice efforts, but most savings are expected through the elimination of overhead positions and reductions to test range support accounts. The interservice test and evaluation reliance process, while laying a foundation for future savings, has resulted in minimal savings and few consolidations because of a lack of DOD aggressiveness. The planned test and evaluation budget cut of \$729 million over the fiscal year 1991-95 period represented a cut of about 2.4 percent, a rather modest reduction considering that test and evaluation funding has risen by 25 percent during the past decade.

**Operation Desert Storm:  
DOD's Funding Actions Relating to Leftover Inventories**

GAO/NSIAD-93-143FS, Apr. 26 (four pages).

This fact sheet provides information on the military services' residual or excess secondary inventory items resulting from Operations Desert Shield and Desert Storm. Such items include aircraft and ship parts, medical and construction supplies, and clothing. GAO answers the following questions: How did the Pentagon arrive at \$3.1 billion as the value of residual inventory resulting from Operations Desert Shield and Desert Storm? What

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does each service estimate the value of its residual inventory to be? What is the status of the Pentagon's proposed funding adjustments affecting this inventory?

**Tactical Intelligence:  
Joint STARS Needs Current Cost and Operational Effectiveness  
Analysis**

GAO/NSIAD-93-117, Apr. 28 (22 pages).

The 1985 cost and operational effectiveness analysis for the \$9-billion Joint Surveillance Target Attack Radar System (Joint STARS) is no longer valid. Significant changes have occurred in key Joint STARS concepts, such as the threats it is intended to meet, the environment in which it will operate, and what it will cost. An updated or new analysis could take as long as 18 months to complete depending on its scope. As now planned, the need for and scope of such an analysis may not be determined until six months prior to the full-rate production decision scheduled for September 1995. By waiting that late, the Defense Department could jeopardize the full-rate production schedules if a full 18-month study is required. Deciding now on the scope of an analysis would eliminate this concern.

**Naval Academy:  
Gender and Racial Disparities**

GAO/NSIAD-93-54, Apr. 30 (68 pages).

This report examines how the U.S. Naval Academy has been treating women and minorities. Performance indicators show that women have not fared as well as men with regard to class standings; academic, physical education, and military grades; outcomes of the conduct and honor systems; and attrition rates. Minority students have not fared as well as white students on these same indicators. In addition, a GAO survey of midshipmen revealed perceptions that women and minorities generally received treatment equal to that of men and whites. However, a higher percentage of men than women perceived that women were treated better, and a higher percentage of women than men perceived that they were treated worse. The situation was similar with minorities. Although the Academy has taken a number of steps to better address the assimilation of women and minorities, it does not have a comprehensive data base to analyze student performance indicators to identify significant gender or

racial disparities. The Academy has not documented the implementation of earlier equal opportunity recommendations.

**DOD Special Access Programs:  
Administrative Due Process Not Provided When Access Is Denied  
or Revoked**

GAO/NSIAD-93-162, May 5 (33 pages).

The Departments of Defense (DOD), Energy (DOE), and State use a wide range of procedures when denying or revoking clearances for classified information. This is also the case when DOD revokes access to special access programs and sensitive compartmented information. For example, DOD and State suspend clearances for long periods without telling employees why. DOD also suspends many clearance indefinitely, never revoking them, even though the individuals may have been either been discharged or imprisoned. DOD and DOE did not tell people how they could obtain information on the investigations. Furthermore, the appeal procedures at DOD and State could be perceived as lacking independence because the officials hearing the appeals were either involved in the unfavorable determinations or were in the same chain of command. In reviewing administrative due process for DOD's special access program, GAO discovered that the Navy and the Air Force skirted the process for government and contractor employees. All three military services did provide due process, however, when access to sensitive compartmented information was initially denied or revoked. The Navy and Air Force appeal procedures for sensitive compartmented information could also be perceived as lacking independence. GAO is particularly concerned about the special access program administrative due process procedures proposed for contractor employees in the recently authorized National Industrial Security Program. If these procedures are adopted, contractor employees could be denied due process because the procedures can be waived. GAO summarized this report in testimony before Congress; see:

Administrative Due Process: Denials and Revocations of Security Clearances and Access to Special Programs, by Donna M. Heivilin, Director of Defense Management and NASA Issues, before the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary, and before the Subcommittee on the Civil Service, House Committee on Post Office and Civil Service. GAO/T-NSIAD-93-14, May 5 (19 pages).

**Air Force Organization:  
More Assessment Needed Before Implementing Force Projection  
Composite Wings**

GAO/NSIAD-93-44, May 5 (77 pages).

In response to changing global threats, substantial cuts in defense spending, and base closures and realignments, the Air Force has been restructuring in several ways. One initiative is the creation of composite wings, which place all aircraft at an installation under the base commander. Most composite wings are created by reorganizing existing base operations and command responsibilities, but the Air Force is also building three composite wings from the ground up by assembling a mix of aircraft to respond to contingencies. These wings are known as "force projection composite wings." The Air Force did not do enough analyses, however, before deciding to build these force projection composite wings. A nondeployed wing of this kind has never operated in peacetime and available evidence does not support such an arrangement. In addition, the Air Force has neither developed clear criteria for evaluating the concept nor determined all the costs associated with the wings. Force projection composite wings will have significant limitations as they must be augmented by aircraft from other bases in order to perform their missions. Limited opportunities exist for these new wings to train as large-scale composite forces. Further, the Air Force has done no analysis of alternative bases before determining the locations for the air/land wings, and the Army was not consulted before the sites were chosen. Putting wings at these sites may undermine combat capabilities and readiness.

**Defense Health Care:  
Additional Improvements Needed in CHAMPUS' Mental Health  
Program**

GAO/NSIAD-93-34, May 6 (26 pages).

The Defense Department (DOD) has taken several steps to better manage mental health costs under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and improve the quality of care for beneficiaries. DOD has undertaken initiatives and demonstration projects that use management techniques similar to those used by private-sector companies and health plans that intensively manage mental health care. DOD has also instituted controls over payments to psychiatric facilities and improved standards for residential treatment centers. As a result, CHAMPUS

mental health costs leveled off in fiscal years 1990 and 1991. Several problems persist, however, including poor medical record documentation, potentially inappropriate admissions, excessive hospital stays, and poor-quality care. Inspections of residential treatment facilities continue to reveal significant safety and health problems, and corrective actions often took many months. Moreover, DOD has proposed further changes to its methods of reimbursing psychiatric facilities. DOD should adopt these additional changes because it pays considerably higher rates for comparable services than do other public programs.

**Simulation Training:  
Management Framework Improved, but Challenges Remain**

GAO/NSIAD-93-122, May 10 (61 pages).

Congress has supported increased use of simulation technology but has had some concerns about the Defense Department's (DOD) management in this area. This report describes the evolving coordination of simulation activities under the auspices of the Defense Modeling and Simulation Office. Specifically, GAO reviews the Army's acquisition plan for the Close Combat Tactical Trainer—a simulation system to train armor and mechanized infantry forces—to determine whether it provides for (1) high-level management oversight, (2) system interoperability, and (3) adequate integration of the system with more traditional forms of training for greater cost-effectiveness.

**Army Reserve Forces:  
Process for Identifying Units for Inactivation Could Be Improved**

GAO/NSIAD-93-145, May 12 (37 pages).

This report evaluates the process that the Army used to identify Army National Guard and Army Reserve units found on the Pentagon's March 1992 force reduction list. GAO (1) documents the process that was used and determines the key entities involved in developing the Army's portion of the list and (2) determines the criteria used to select specific units for inactivation and evaluates whether these criteria were applied consistently.

**Defense Support Program:  
Ground Station Upgrades Not Based on Validated Requirements**

GAO/NSIAD-93-148, May 21 (six pages).

GAO believes that it is premature to upgrade Defense Support Program ground processing stations, part of a strategic surveillance and early warning satellite system, because the Air Force has not completed validation of operational requirements as mandated by military regulations. GAO also found that including global processing capability in the upgrades may not be cost-effective. Global processing would enable the Air Force to process data generated by the total Defense Support Program satellite constellation network at a single ground station. Air Force officials said, however, that there are no corresponding plans to reduce the number of ground stations. This factor, together with incomplete requirements process, raises considerable doubts about the Air Force's plan to spend \$95 million to upgrade the stations.

**DOD Health Care:  
Further Testing and Evaluation of Case-Managed Home Care  
Is Needed**

GAO/HRD-93-59, May 21 (28 pages).

The Defense Department (DOD) has conducted two demonstration projects to see whether case-managed home care of military patients is a cost-effective way of providing health care for individuals with chronic or catastrophic medical problems. GAO found that neither project has yielded enough information to identify an effective structure for administering a permanent home health care benefit. Specifically, the projects have provided little insight into ways to identify potential home health care recipients, prevent program abuse, and determine when and how case management should be provided. Claimed savings under both projects are significantly overstated. DOD also needs to determine the extent to which the administration of the home care benefit can be integrated into the Coordinated Care program.

**Military Bases:  
Letters and Requests Received on Proposed Closures  
and Realignments**

GAO/NSIAD-93-173S, May 25 (55 pages).

This supplement to the GAO report analyzing the Pentagon's selection process for base closures and realignments (GAO/NSIAD-93-173, Apr. 1993) contains letters written to GAO by many interested parties, including Members of Congress, local government officials, and private citizens. In some cases, the correspondence and attached materials, such as analyses and evaluations, provided useful leads. In other instances, the materials added support to issues GAO was actively pursuing. Although GAO was unable to follow up on many of the issues because of time constraints, it believes that this correspondence may be useful to the Base Closure Commission as it considers the proposed closures and realignments.

**DOD Contracting:  
Techniques to Ensure Timely Payments to Subcontractors**

GAO/NSIAD-93-136, May 28 (41 pages).

Subcontractors depend on cash flow generated by progress or other periodic payments from prime contractors to meet payrolls and pay other bills. This report focuses on whether federal prime contractors are paying subcontractors promptly, a significant issue given that payments to subcontractors sometimes constitute well over 50 percent of prime contract costs. This report (1) identifies existing statutory and regulatory provisions that provide payment protection for federal subcontractors and (2) evaluates the feasibility and desirability of additional payment protections for subcontractors.

**Testimony**

Depot Maintenance: Issues in Management and Restructuring to Support a Downsized Military, by Donna M. Heivilin, Director of Defense Management and NASA Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-93-13, May 6 (37 pages).

Substantial excess capacity exists within the military's depot maintenance system. In GAO's view, the Pentagon's estimate of 25 to 50 percent is conservative. This testimony answers the following questions: (1) What is the basis for current Defense Department allocations of depot work between the public and private sectors? (2) Is the private sector's role changing in the performance of depot maintenance activities? (3) What is the status of the public-private competition initiative? (4) What needs to be done to ensure that future defense maintenance requirements can be managed more cost-effectively?

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**Defense Health Care: Lessons Learned From DOD's Managed Health Care Initiatives**, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Military Forces and Personnel, House Committee on Armed Services. GAO/T-HRD-93-21, May 10 (12 pages).

GAO commends the Defense Department (DOD) for moving toward managed health care because GAO continues to believe that this approach, while not a panacea, does offer the potential for controlling costs, improving beneficiary access, and offering high-quality care. Important lessons have been learned about features that need to be in place as DOD's managed care efforts continue. These include the need for (1) uniform health care benefits and cost-sharing requirements within individual categories of beneficiaries, (2) organization and budgeting systems that provide managers the appropriate incentives to manage beneficiaries' care efficiently, and (3) consideration of a variety of factors as DOD continues to contract for health care services.

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## Natural Resources

### **Trans-Alaska Pipeline: Projections of Long-Term Viability Are Uncertain**

GAO/RCED-93-69, Apr. 8 (50 pages).

The Department of Energy (DOE) asserts that Congress will have to authorize the leasing of the coastal plain of Alaska's Arctic National Wildlife Refuge—an area of high oil and gas potential—by 1997 to keep the Trans-Alaska Pipeline operating. DOE concludes that because of the projected rate of decline in oil production from Alaska's North Slope, the pipeline will likely be forced to shut down by the year 2009. The possible shutdown of the pipeline could be a consideration in reaching a policy decision on whether to open the refuge to oil and gas development or whether to designate the coastal plain as wilderness, thereby precluding future development. In assessing DOE's conclusion that 2009 is the most likely year that the pipeline will be forced to shut down, GAO evaluated the reasonableness of (1) the minimum operating level that DOE assumed for the pipeline and (2) the model and the key economic, geologic, engineering, and cost assumptions that DOE used to estimate oil production at the North Slope. GAO also looked at the reasonableness of DOE's belief that it will take 10 to 12 years to develop new oil fields in the refuge.

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**Forest Service:  
Little Assurance That Fair Market Value Fees Are Collected From  
Ski Areas**

GAO/RCED-93-107, Apr. 16 (28 pages).

Ski operators on Forest Service land are required to pay the government fees that are based on fair market values. Although these ski operators had \$737 million in gross sales in 1991, they paid the government only about \$13.5 million in fees. GAO concludes that the current fee system does not ensure that the Forest Service receives fair market values for using its land. When the graduated rate fee system was put into place more than 20 years ago, it was expected that rates would be adjusted periodically to reflect economic changes. Yet the rates by which fees are calculated have not been updated in more than two decades. The fee system developed by the ski industry also does not deliver fees that reflect fair market value. GAO agrees with the Forest Service that a simplified system is desirable. The goal of developing a simpler system, however, must be secondary to ensuring that fees are based on fair market value.

**Water Resources:  
Highfield Water Company Should Not Receive Compensation From  
the U.S. Army**

GAO/RCED-93-49, May 10 (57 pages).

The Highfield Water Company has claimed that it should receive between \$17.7 million and \$52 million from the U.S. Army as compensation for lost property and damages. Highfield argues that Fort Ritchie, located in Maryland, excessively pumped the aquifer during periods of drought between 1974 and 1978, thereby depriving the company of water it needed to meet its customers' needs. As a result, the Maryland Public Service Commission revoked the company's right to exercise its franchise to sell water to its customers. Highfield is appealing for legislative relief, asserting that it has never received a fair hearing on the merits of its case since court actions were dismissed on technical grounds. After reviewing the case, GAO concludes that Highfield was not damaged by the Fort's reasonable use of the groundwater and that Highfield neither owned nor had superior rights to the water. As a result, GAO does not believe that Highfield is entitled to any compensation from the Army.

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## Testimony

Mineral Resources: Meeting Federal Needs for Helium, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Energy and Mineral Resources, House Committee on Natural Resources. GAO/T-RCED-93-44, May 20 (six pages).

The federal government uses helium in the space program, weapons systems, and superconductivity research. The Helium Act of 1960 authorizes the Interior Department to conserve, buy, store, produce, and sell helium to meet federal needs. The act also requires federal agencies to buy most of their helium from the Bureau of Mines. GAO testified that the Bureau of Mines has acted to meet the act's objectives. In addition, the helium program debt, which overshadows meaningful debate on the merits of the program, could be canceled without adversely affecting the federal budget. Finally, a reassessment of the objectives of the helium act is in order.

Federal Land: Little Progress Made in Improving Oversight of Concessioners, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-93-42, May 27 (11 pages).

Concessioners are often the primary operators in recreation areas containing some of the nation's greatest national treasures. Despite GAO's warnings during the past three years, however, federal agencies are still doing a poor job of managing concessioners on federal land. The agencies lack enough data to adequately manage concession operations, they cannot demonstrate that they are receiving a fair return, and they have to revise or develop some policies to improve their management of concessioners. Deterioration in federal areas is widespread, and the existing infrastructure—approaching \$200 billion in value—is increasingly run down; the cost of deferred maintenance in the national parks and forests alone is nearly \$3 billion. The federal government has a huge investment in its recreation resources, and GAO believes that the government needs to ensure that it is fairly compensated for the use of its land, the visiting public is provided with healthy and safe services, and the nation's recreation resources are adequately protected for future generations.

## Science, Space, and Technology

### **Federal Research: Super Collider—National Security Benefits, Similar Projects, and Cost**

GAO/RCED-93-158, May 14 (20 pages).

The Superconducting Super Collider (SSC) will be the world's largest particle accelerator, a basic research tool for seeking fundamental knowledge about matter and energy. The Department of Energy's (DOE) cost estimate to build the SSC grew from \$5.3 billion in 1987 to \$8.25 billion in 1991. The SSC is not expected to produce any direct national security benefits, although national security may indirectly benefit from the potential but unpredictable practical applications of research discoveries or from technological spin-offs. Although the United States and other countries have smaller accelerators operating, no existing or planned accelerator will be exactly the same as the SSC. Known cost increases suggest that the total cost for the SSC will exceed \$11 billion. To preclude the cost and schedule from continuing to increase beyond \$11 billion, annual funding levels would need to increase dramatically over that projected in the President's budget. In fact, DOE is assuming in its projection that there will be no funding constraints after fiscal year 1998—an assumption that could prove unrealistic unless the budget deficit improves markedly. GAO summarized this report in testimony before Congress; see:

Federal Research: Superconducting Super Collider Cost and Schedule, by Victor S. Rezendes, Director of Energy and Science Issues, before the House Committee on Science, Space, and Technology. GAO/T-RCED-93-47, May 26 (16 pages).

### **Space Station: Program Instability and Cost Growth Continue Pending Redesign**

GAO/NSIAD-93-187, May 18 (10 pages).

Contrary to NASA's recent estimate that Space Station Freedom as currently designed will cost \$31.3 billion through the year 2000, GAO estimates the real cost at \$43 billion, plus at least \$78 billion more through 2027. NASA's estimate excludes substantial funds needed to successfully complete development and support the station during its planned 30-year life. In recent years, GAO has expressed concern that NASA has not been maintaining financial reserves commensurate with the program risks. NASA

officials said in May 1993 that part of its adjustments to recent contractors' cost growth included restoring an average financial reserve margin of about 19 percent to the overall program estimates through 2000. Yet this margin is based on annual station development and operations appropriations of about \$2.5 billion. Should these large annual funding levels fail to materialize, financial reserves after 1995 could not cope with problems arising during the building, testing, launching, and assembly of the station.

**Space Station:  
Information on National Security Applications and Cost**

GAO/NSIAD-93-208, May 18 (14 pages).

In terms of national security, the Pentagon has no real need for a manned space station. In fact, the Space Station Freedom would be less suitable for military research than would existing facilities on the space shuttle. In March 1993, NASA revised its cost estimate for the station to \$31.3 billion. At the same time, NASA stretched the schedule for having permanent occupants in the space station to the year 2000. NASA's updated estimate, like earlier estimates, excludes substantial sums required to successfully complete development and support the station during its planned 30-year life. Additional funding necessary to support and outfit the station for permanent occupancy would top \$11 billion. Further, at least \$78 billion would be required to bring the facility to its full planned capability and maintain, supply, and operate the station after permanent occupancy was achieved. When these costs are included, the space station funding requirements through 2027 soar to at least \$121 billion. The only existing space station is the Russian Mir, which, although believed to be beyond its design life, continues in use, and major upgrades are planned in 1994 to add remote sensing and atmospheric studies capabilities. In the long term, the Russians plan to build a more capable space station.

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**Social Services**

**Older Americans Act:  
Eldercare Public-Private Partnerships**

GAO/PEMD-93-20, Apr. 16 (10 pages).

Shrinking resources and growing demands have led to contractual relationships between area agencies on aging and private corporations. The agencies provide eldercare services to private employers under these

public-private partnerships. These arrangements have been criticized on the grounds that preference should be given to older individuals with the greatest economic and social needs, with particular attention given to low-income minority individuals. GAO found that by 1991-92, only a small portion of agencies had actually entered into public-private partnerships. Most of the agencies with such partnerships were not generating enough profits through these arrangements to finance significant amounts of additional services. Moreover, agencies with partnerships reported typically using existing staff to provide services to those referrals they received. Among the 31 agencies that reported both income and cost data for eldercare services provided in 1991, the median net profit was \$0. GAO summarized this report in testimony before Congress; see:

Older Americans Act: Eldercare Partnerships Generate Few Additional Funds for Public Services, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Human Resources, House Committee on Education and Labor. GAO/T-PEMD-93-4, May 27 (nine pages).

**Welfare to Work:  
JOBS Participation Rate Data Unreliable for Assessing  
States' Performance**

GAO/HRD-93-73, May 5 (20 pages).

To encourage state Job Opportunities and Basic Skills Training (JOBS) programs to serve more welfare recipients, Congress mandated minimum rates of participation that states must meet each year. States failing to meet or exceed the annual rates can lose millions of dollars in federal JOBS funds. GAO found that the Department of Health and Human Services (HHS) is allocating millions of dollars in federal JOBS funds on the basis of inaccurate state-reported participation rate data. These data are not comparably derived across states and should not be relied on when comparing states' performance. Much of the inaccuracy in these data is attributed to states' difficulties in collecting and processing all the required data and misinterpretation of JOBS regulations and HHS instructions. As minimum annual participation rates rise, it will become even more important that these issues are resolved. GAO believes that unless HHS simplifies its participation rate reporting requirements and increases its oversight of states' processes, states will continue to report noncomparable and inaccurate data.

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## Tax Policy and Administration

### **Tax Policy and Administration: Value-Added Tax—Administrative Costs Vary With Complexity and Number of Businesses**

GAO/GGD-93-78, May 3 (159 pages).

For several years, a federal value-added tax (VAT) has been discussed as a way to reduce the budget deficit, reform the current federal tax system, or fund new programs. A VAT would likely be administered by the Internal Revenue Service (IRS) with the support of the Customs Service and the Federal Reserve System. GAO estimates that administering a simple, broad-based VAT in 1995 would cost the government between \$1.22 billion and \$1.83 billion annually, depending on the number of taxpayers subject to the tax. Were the VAT to include exemptions and multiple rates, the administration costs could run as much as \$700 million higher. During the transition to a VAT, about \$800 million would be needed for taxpayer education, staff training, and computer systems. A substantial amount of time—from 18 to 24 months optimally—would be needed to properly prepare for a VAT. A key element of a successful transition would be an intensive educational campaign aimed at promoting compliance. This report also discusses how alternative designs could affect administrative costs.

### **Tax Administration: Recurring Tax Issues Tracked by IRS' Office of Appeals**

GAO/GGD-93-101, May 4 (32 pages).

Each year, taxpayers dispute tax adjustments identified by the Internal Revenue Service (IRS) in audits. As of September 1992, about 12,000 disputed issues in IRS' data base with \$99 billion in proposed income adjustments were waiting to be resolved by the Office of Appeals. GAO found that the following 14 tax code sections accounted for about 45 percent of those issues and 57 percent of the proposed adjusted amounts: trade or business expense; gross income defined; depreciation; allocation of income and deductions among taxpayers; taxable year of deduction; capital expenditures; bad debts; deductions for losses; definition of gross estate; taxable year of inclusion; net operating losses; taxes of foreign countries and U.S. possessions; last-in, first-out inventories; and taxability of corporations on distribution. Data also show that issues related to these 14 code sections accounted for an average of 44 percent of all issues resolved or closed by Appeals during fiscal years

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1991 and 1992, 52 percent of the proposed adjustment amounts, and 59 percent of the proposed adjustment amounts sustained by Appeals.

**Tax Policy and Administration:  
Improvements for More Effective Tax-Exempt Bond Oversight**

GAO/GGD-93-104, May 10 (81 pages).

Outstanding long-term tax-exempt bond volume doubled from 1968 to 1990, to about \$796 billion, while foregone federal tax revenues grew proportionally, exceeding \$20 billion in 1990. Congressional concerns focused not only on the foregone revenue but also on the increasing use of tax-exempt bonds to benefit private parties and issuers earning profits by investing bond proceeds in securities at higher interest rates. As a result, Congress expanded restrictions on tax-exempt bonds. This report reviews the Internal Revenue Service's role in ensuring compliance with tax-exempt bond provisions and discusses needed improvements.

**Tax Policy:  
Implications of Replacing the Corporate Income Tax With a  
Consumption Tax**

GAO/GGD-93-55, May 11 (26 pages).

This report discusses the advantages and disadvantages of replacing the corporate income tax with a broad-based consumption tax. GAO reviews the impact of such a change in terms of (1) its effects on economic efficiency and equity, (2) its effects on tax administration costs, and (3) its effects on tax compliance costs. In particular, the report evaluates the likely effects of replacing the corporate income tax and the employer's share of the Federal Insurance Contributions Act payroll tax with the Uniform Business Tax.

**Tax Administration:  
IRS Activities to Increase Compliance of Overseas Taxpayers**

GAO/GGD-93-93, May 18 (34 pages).

The Internal Revenue Service (IRS) has undertaken several initiatives to encourage voluntary tax compliance by Americans living overseas, including reducing taxpayer burden, increasing taxpayer education, and continuing its enforcement efforts. In spite of these efforts, IRS still lacks

the data it needs to determine the full extent of nonfiling. IRS efforts to simplify filing and educate taxpayers about the filing requirements appear to be positive steps to encourage persons to file. Although the enforcement efforts GAO studies resulted in minimal revenues, IRS' plans to develop more information on the population of overseas Americans may allow it to better target its enforcement activities.

**Tax Administration:  
Trends for Certain IRS Programs**

GAO/GGD-93-102FS, May 26 (130 pages).

GAO developed trend data for various Internal Revenue Service (IRS) programs. This fact sheet provides trends for some mission-related indicators that IRS has traditionally used. Most of the indicators relate to resources, such as staffing; workload, such as the number of tax returns filed; or output indicators, such as the number of audits completed. Other trends relate to some of IRS' key enforcement programs and IRS' taxpayer service and tax return processing activities. For these same programs and activities, this fact sheet also includes information on recent developments within IRS relating to performance measures and gaps in IRS' management information that GAO pointed out in earlier reports.

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## Transportation

**International Aviation:  
Measures by European Community Could Limit U.S. Airlines'  
Ability to Compete Abroad**

GAO/RCED-93-64, Apr. 26 (72 pages).

With nearly 30 million passengers flying to and from Europe each year, transatlantic service is the largest international market for U.S. airlines. The European Economic Community (EC), however, is changing the way that individual aviation markets of its member nations are regulated. This report assesses (1) changes to air transport regulations that the EC has undertaken; (2) the effect of those changes on competition in the European air travel market; and (3) the implications of those changes for U.S. airlines, including the possibility of granting cabotage rights to a unified EC, which would allow EC airlines to provide air service between points in the United States in exchange for allowing U.S. airlines to serve more routes in the EC. GAO notes that U.S. airlines' ability to compete in the EC could be limited by recent measures that ban non-EC carriers from

dropping fares below existing ones on routes within the community and that make it harder to acquire more takeoff and landing slots.

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## Testimony

Air Traffic Control: Improvements Needed in FAA's Management of Acquisitions, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-93-36, May 5 (20 pages).

Increases in air traffic have strained the capacity of the nation's air traffic control system. Aircraft operations increased by 40 percent during the last decade and the Federal Aviation Administration (FAA) estimates that they will rise by another 30 percent in the next 20 years. To deal with increased demand on the air traffic control system and aging equipment, FAA launched a major effort in 1981—now called the Capital Investment Plan—to install new equipment, such as sophisticated radars, computers, and communications networks. This testimony describes problems with the modernization projects' costs and schedules, the causes of those problems, and the steps needed to strengthen FAA's acquisition process.

High-Speed Ground Transportation: Funds Need to Be Focused Under Proposed Legislation, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Surface Transportation, Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-93-45, May 20 (22 pages).

High-speed ground transportation systems are expensive, requiring a strategic selection of the most beneficial projects. The federal government has provided an average of \$147 million each year over 17 years for one project alone—the Northeast Corridor. GAO believes that if Congress chooses to increase federal funding for high-speed ground transportation, it should target funds to the most worthwhile projects. The criteria used in the Administration's proposed legislation could help provide this focus. However, the methodology and assumptions used in developing ridership forecasts need to be completely understood to determine the reliability of states' assumptions about anticipated revenues, subsidies, congestion relief, and air quality improvement.

Aviation Research: Actions to Enhance the Effectiveness of FAA's Research Activities, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-93-40, May 20 (20 pages).

The Federal Aviation Administration's (FAA) Research, Engineering, and Development (RE&D) Program plays an important role in ensuring the safety, security, and efficiency of the U.S. air transport system. By providing critical technologies, such as satellite and data link capabilities, the program can reduce delays and increase airspace capacity. Although FAA has taken some positive steps to improve the program, it has not implemented GAO's recommendation to include the requisite budget and staffing information in the RE&D plan. This information is critically important in today's budgetary environment in which FAA will have to make difficult trade-offs between diverse research areas. The program's success in meeting current and future challenges rests on integrating RE&D goals into other program areas, leveraging research done by other federal agencies, integrating various technologies to meet specific safety and capacity problems, and incorporating human factors into all research. The solution to some of today's most pressing problems may call for greater cooperation between FAA and NASA.

Airport Improvement Program: Opportunity to Consider FAA's Role in Meeting Airport System Needs, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-93-43, May 26 (17 pages).

Since 1982, the Federal Aviation Administration's (FAA) Airport Improvement Program has spent nearly \$13 billion on a variety of airport improvements, including runway construction; terminal improvements; and noise, safety, and security projects. Congress appropriated \$1.8 billion for the program in fiscal year 1992. This testimony discusses FAA's progress in developing goals and performance measures for airport development, implications of FAA's actions, and GAO's views on FAA's roles and its capacity to manage the program.

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## Veterans Affairs

### **Veterans Affairs: Establishing Patient Smoking Areas at VA Facilities**

GAO/HRD-93-104, May 3 (27 pages).

The Department of Veterans Affairs (VA) runs the nation's largest health care system, serving veterans in 158 medical centers. VA announced in 1989 its intent to prohibit smoking inside all these medical centers when outside smoking shelters were available. In November 1993, however,

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Congress passed legislation requiring VA to establish smoking areas in its facilities for veterans' use. This report examines the feasibility of establishing and maintaining the mandated smoking areas. GAO discusses (1) how the law might affect VA medical facilities' accreditations, (2) how much the facilities might spend to establish mandated smoking areas, and (3) how long the facilities might take to build these areas.

**VA Health Care:  
Inadequate Enforcement of Federal Ethics Requirements at VA  
Medical Centers**

GAO/IRD-93-39, Apr. 30 (23 pages).

Senior managers at nearly one-third of the Department of Veterans Affairs' (VA) medical centers reported receiving part-time employment incomes, averaging thousands of dollars, from medical schools that receive millions of dollars through VA contracts. Nevertheless, VA has allowed these managers to participate in awarding and administering these contracts. Such activities are prohibited under federal conflict-of-interest regulations and may violate federal criminal statutes. These activities, therefore, not only subject managers to possible prosecution, but also significantly impair the integrity of VA's procurement process. GAO summarized this report in testimony before Congress; see:

VA Health Care: Inadequate Enforcement of Federal Ethics Requirements at VA Medical Centers, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. GAO/T-HRD-93-22, May 19 (13 pages).

**VA Health Care:  
Inadequate Enforcement of Federal Ethics Requirements at VA  
Medical Centers**

GAO/HRD-93-39FS, May 12 (10 pages).

GAO recommended in the above report (GAO/IRD-93-39) that the Department of Veterans Affairs (VA) actively enforce federal ethics requirements, which generally prohibit managers from participating in the award or administration of contracts from which they have received employment income. In general, GAO is encouraged by VA's actions, which should improve enforcement of federal ethics requirements. GAO is troubled,

however, by VA's position that supervision of contract physicians for quality of care purposes by VA managers who are also employed by medical schools is not a conflict-of-interest.

**VA Health Care:  
Problems in Implementing Locality Pay for Nurses Not Fully Addressed**

GAO/HRD-93-54, May 21 (28 pages).

The Department of Veterans Affairs (VA) employs nearly 40,000 registered nurses and certified registered nurse anesthetists at its medical centers across the country. Like other health providers, VA has had continuing difficulty in recruiting and retaining nurses. VA is implementing a locality system for nurses in order to make salaries more competitive, but GAO found that the surveys done by VA medical centers in setting nurse salary rates fell well short of the standards set for Bureau of Labor Statistics surveys. As a result, VA's salary rates could easily be substantially higher or lower than justified. GAO believes that the potential for errors is so great that the process should be reported as an internal control weakness. VA attributes this shortcoming to the limited time available to implement locality pay. The problems were not, however, corrected during the second round of surveys, and most still have not been addressed 18 months after implementation of the system.

**VA Health Care:  
Delays in Awarding Major Construction Contracts**

GAO/HRD-93-101, May 26 (10 pages).

The Department of Veterans Affairs (VA) fiscal year 1992 appropriation included funding for 12 new major construction projects, each estimated to cost \$3 million or more. The appropriation law required that VA award (1) construction documents contracts for these projects by September 30, 1992, and (2) construction contracts by September 30, 1993. In addition, VA's appropriation for fiscal year 1991 contained funding for 11 other projects for which VA was to award construction contracts by September 30, 1992. This report reviews the contracting delays of reportable projects for impoundment implications under the Impoundment Control Act. GAO also assesses whether VA had reported all projects funded through these acts for which it had not awarded contracts by September 30, 1992.

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**Testimony**

**Veterans' Health Care: Potential Effects of Health Care Reforms on VA's Major Construction Program**, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Senate Committee on Veterans' Affairs. GAO/T-HRD-93-19, May 6 (13 pages).

This testimony focuses on factors that could affect the need for and the size and the design of Department of Veterans Affairs' (VA) construction projects. These factors are (1) reform of the nation's health care financing system, (2) reform of VA health care eligibility for its beneficiaries, and (3) VA's role under a reformed health care system. GAO also discusses the extent to which VA considers construction alternatives, such as available state and community resources, when it determines the need for major construction projects, along with GAO's recently completed review of the management of VA's major construction program.

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Alcohol, Tobacco, and Firearms: Bureau's Handling of Sexual Harassment and Related Complaints GAO/T-OSI-93-1, May 26.

Federal Employment: Progress of Women and Minorities in Key Federal Jobs and Handling of EEO Complaints at the Bureau of Alcohol, Tobacco, and Firearms GAO/T-GGD-93-33, May 26.

Legislative Employment: EEO Complaint Processing by the House Office of Fair Employment Practices GAO/T-GGD-93-30, May 27.

**ECONOMIC DEVELOPMENT**

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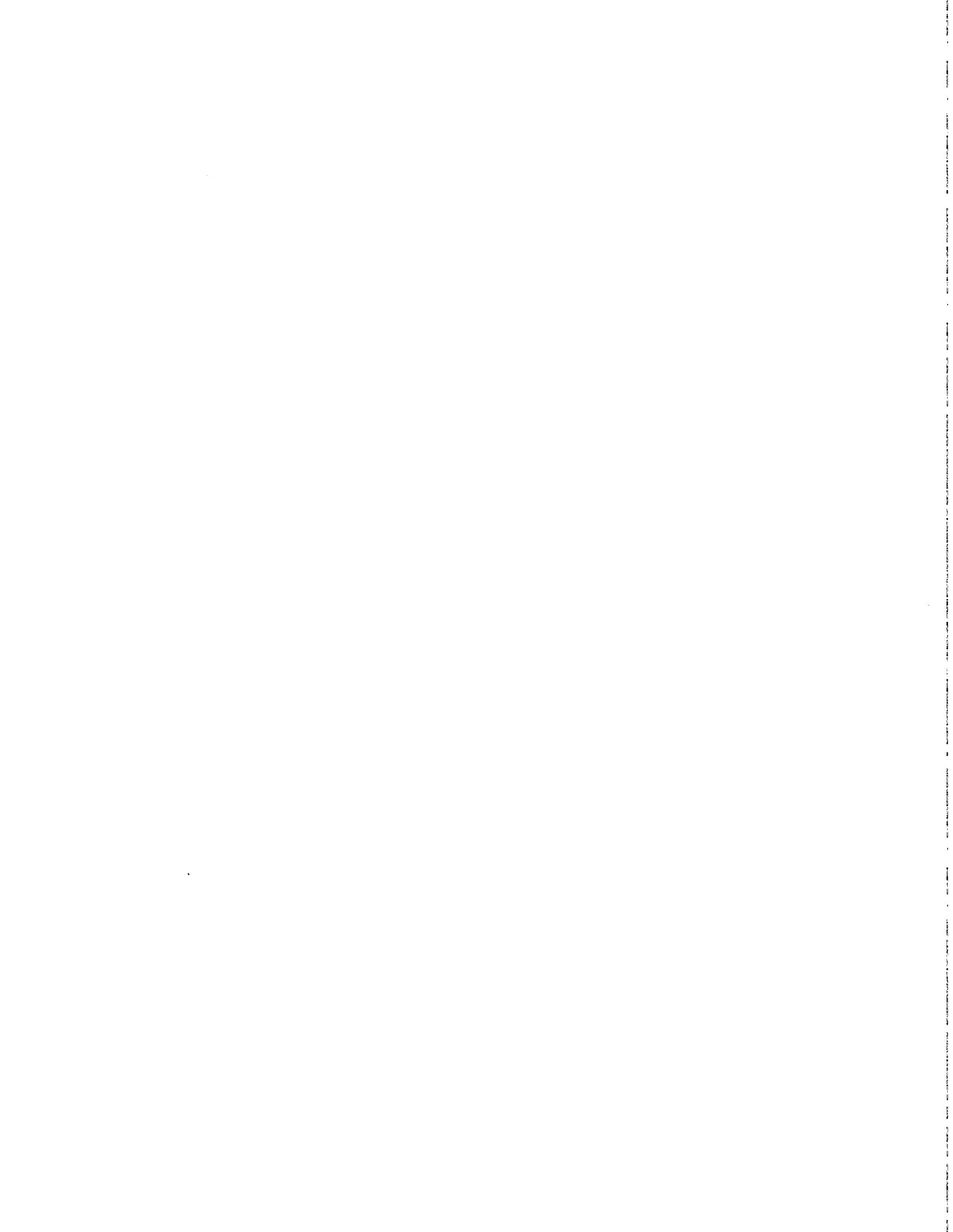
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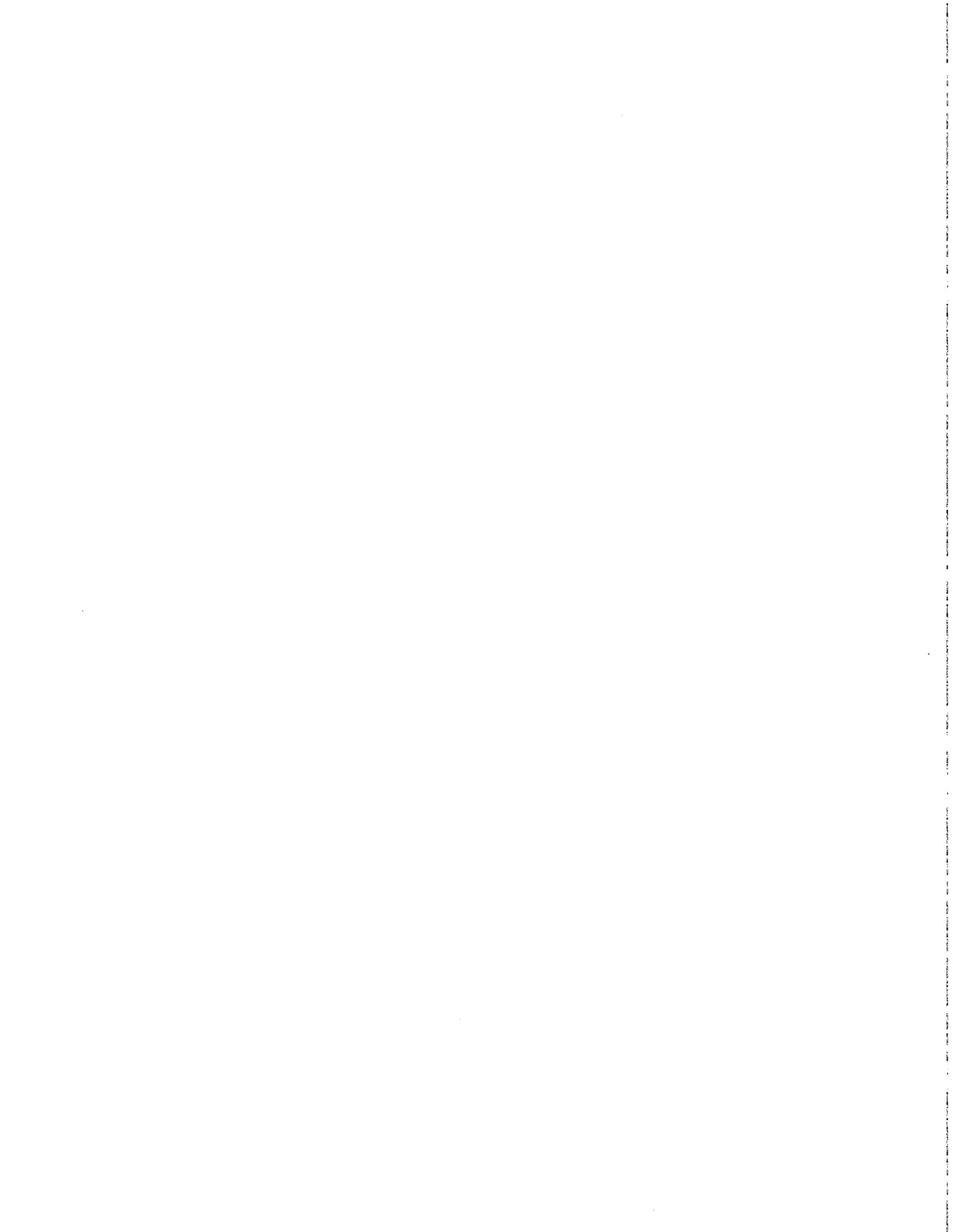
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