
Reports and Testimony: June 1993

Highlights

The Nuclear Triad

On the basis of a study of the land, sea, and air legs of U.S. strategic forces, evidence shows that submarine-launched intercontinental ballistic missiles are the most cost-effective component of the U.S. nuclear triad. Page 39.

Army Financial Audit

GAO is unable to express an opinion on the reliability of financial statements prepared by the Army for fiscal years 1991 and 1992. The Army lacks effective controls essential to protect its \$293 billion in reported assets, and unreliable accounting systems place the Army at risk that improper expenditures of funds could be made and not be detected on a timely basis. Page 15.

Foreign Assistance

Fragmented both programmatically and organizationally, the Agency for International Development has not effectively administered an increasingly diffused foreign aid program or ensured accountability for its decentralized operations. Page 27.

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Agriculture and Food

Crop Insurance: Federal Program Faces Insurability and Design Problems

GAO/RCED-93-98, May 24 (49 pages).

The federal crop insurance program, which offers farmers protection from such risks as flooding and drought, was revised in 1980 to achieve, among other things, actuarial soundness and widespread participation so that other forms of disaster relief could be eliminated. Because the program is not achieving those goals, GAO examined how well the program meets basic conditions of insurability, which help promote actuarial soundness, and how efforts to expand participation have affected actuarial soundness. GAO found that the program does not meet three basic conditions of insurability: (1) some crop insurance risks are not independent, which means that many farms can be stricken by the same disaster and require relief all at once; (2) the government does not have enough farm-level information to differentiate among farmers' risks and therefore may charge similar premiums to high-risk and low-risk farmers, which can result in higher numbers of high-risk farmers covered by the program; and (3) the government cannot detect moral hazard when an insured farmer's actions increase the chance or extent of loss. Program efforts to widen participation by making crop insurance more attractive to farmers have inhibited actuarial soundness; also, with these efforts the program has failed to achieve a 50-percent national participation rate, Congress' goal.

Net Farm Income: Primary Explanations for the Difference Between IRS and USDA Figures

GAO/GGD/RCED-93-113, June 3 (28 pages).

The net farm income figures reported by the Internal Revenue Service (IRS) and the U.S. Department of Agriculture (USDA) differ by billions of dollars each year. In 1989, IRS showed net farm income at \$4.2 billion, while USDA pegged it at \$49.9 billion. GAO identified the following five explanations for the difference: (1) IRS and USDA figures are derived from two different populations; (2) USDA's net farm income figures included noncash income items that IRS excludes from its figures; (3) IRS and USDA report some sales of livestock differently; (4) IRS and USDA account for depreciation differently; and (5) IRS' net farm income figures are understated because some tax filers erroneously report farm income and expenses. In any case, data users should be cautious when using either agency's aggregate figures

to draw conclusions about the financial condition of U.S. farms. For instance, in 1989, individual filers reported an aggregate net farm loss of \$214 million on their tax returns. Yet this aggregate figure did not reflect the fact that the only groups of individual tax filers reporting overall net farm losses were those with adjusted gross incomes of less than \$20,000 or more than \$200,000.

**Dairy Programs:
Effects of the Dairy Termination Program and Support
Price Reductions**

GAO/OCE-93-1, June 15 (40 pages).

GAO concludes that during 1986-90, the Dairy Termination Program and price support cuts were a cost-effective way of reducing the quantity and expense of government purchases of dairy products. GAO projects that the two programs will reduce government purchases of manufactured dairy products—cheese, butter, and nonfat dry milk—by about 10 million pounds a year from 1988 through at least 2001. This will save the government \$8.5 billion, benefit consumers by nearly \$3.3 billion, and cost producers about \$2.3 billion. The Dairy Termination Program provided more immediate reductions in government purchases and helped to mitigate losses to producers or eased their transition to lower price support levels, whereas support price reductions were slower to affect government purchases but will substantially and permanently reduce them in the long run. Government purchases should remain near current levels—eight to 10 million pounds annually—through 1997 and then decline to below five billion pounds by 2001. Despite the near constancy of the quantity of government purchases, government outlays associated with the support price program have been cut substantially, in great part due to a lowering of the government's purchase price for butter, a product constituting the bulk of government purchases.

**International Trade:
Effectiveness of Market Promotion Program Remains Unclear**

GAO/GGD-93-103, June 4 (20 pages).

Congress authorized more than \$1.25 billion for the Market Promotion Program during fiscal years 1986 to 1993, yet GAO found no clear relationship between the amount of money spent on the program and changes in the level of U.S. agricultural exports. The program works with

not-for-profit associations that either run market promotion programs themselves or pass the funds along to commercial firms to promote their own brand-name products. In addition, the U.S. Department of Agriculture (USDA) has done few evaluations of efforts funded by the program. USDA cannot be sure that in the absence of the program, participants would not have funded these activities by themselves. USDA has not established criteria for determining when a participant's funding should be reduced or eliminated. The program's stated goals—to encourage the development, maintenance, and expansion of foreign markets for U.S. agricultural products—are so broad that they could provide a rationale for continued support under almost any market situation. GAO summarized this report in testimony before Congress; see:

U.S. Department of Agriculture: Market Promotion Program Could Be More Effective, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Foreign Agriculture and Hunger, House Committee on Agriculture. GAO/T-GGD-93-38, June 23 (22 pages).

Budget and Spending

Impoundment Reviews: Funds for VOA's Israeli Relay Station and Social Security Administrative Expenses

GAO/OGC-93-7, June 4 (two pages).

On April 20, 1993, the President submitted to Congress his fifth special impoundment message for fiscal year 1993. This message reports one proposed rescission of budget authority, affecting the Voice of America's Israeli relay station, and revises the amount of one deferral of budget authority already reported, affecting administrative expenses at the Social Security Administration. GAO reviewed these proposals and found them to be in accordance with the Impoundment Control Act.

Budget Issues: Financial Reporting to Better Support Decision-making

GAO/AFMD-93-22, June 1993 (42 pages).

This staff study analyzes the use of financial audit reports and accounting data in agency budgeting, because the budget is the principal tool used to effect policy decisions. GAO chose the Department of Veterans Affairs (VA)

for this study because audited financial statements were available for fiscal years 1986 to 1989 and the range of programs at the VA and its experience with financial audit reports and budgeting would be applicable to other federal entities. The study presents a conceptual framework of financial statements designed to meet the needs of financial information users—Congress, managers, and the public. The new types of statements in the study are but one way of addressing user needs, but they can be used as a basis for developing prototypes for any agency to meet the specific needs of its specific users. The study also describes how VA used accounting data from its systems in budgeting and the problems that can develop when accounting systems are not structured to provide the type of data needed in the budget process.

Business, Industry, and Consumers

Testimony

Insurance Regulation: The National Association of Insurance Commissioners' Accreditation Program Continues to Exhibit Fundamental Problems, by Richard L. Fogel, Assistant Comptroller General, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-GGD-93-26, June 9 (54 pages).

During the past several years, GAO has repeatedly expressed doubts about efforts by the National Association of Insurance Commissioners (NAIC) to improve the quality and effectiveness of insurance solvency regulation by introducing financial regulation standards at the state level. One concern involved NAIC's lack of authority to require states to adopt and enforce its standards. Another involved the inability of NAIC accreditation program results to distinguish effective from ineffective regulation. GAO testified that the same underlying problems with NAIC's accreditation persist. These include the (1) permissive interpretation of NAIC standards without criteria for evaluating what is "substantially similar" to the accreditation requirements; (2) growing resistance by some regulators, state legislators, and industry representatives to the demands of the accreditation program; and (3) inadequate criteria for evaluating states' financial analysis processes.

Civil Rights

Americans With Disabilities Act: Initial Accessibility Good but Important Barriers Remain

GAO/PEMD-93-16, May 19 (79 pages).

Before the Americans With Disabilities Act took effect, Congress asked GAO to begin a long-term evaluation to see whether the main objectives of the law were being met. Specifically, Congress was concerned about whether access by persons with disabilities to goods and services provided by the government and the private sector had increased and discrimination against such persons had decreased. GAO found the following: (1) although most features of business and government facilities were accessible to disabled persons, several significant barriers remained; (2) many managers and business owners reported that they were unaware of the law or their specific responsibilities under it; (3) most managers and owners viewed the removal of barriers as beneficial, with few mentioning burdens; and (4) barrier-removal efforts were not always sensible. Many facilities had barriers remaining, and some barrier-removal efforts were planned in areas where no barriers existed. GAO concludes that there is a need for continuing educational outreach and technical assistance for business and government agencies covered by the act.

Education

Educational Testing Standards: NAGB's Approach Yields Misleading Interpretations

GAO/PEMD-93-12, June 23 (116 pages).

GAO reviewed the approach used by the National Assessment Governing Board (NAGB) to establish standards for student performance in mathematics. NAGB reported that few American students had reached these standards. Expert reviewers noted several technical problems with the approach, which had several novel features, and questioned the results. This report extensively analyzes the validity of issues raised by NAGB's approach, examines alternative approaches to setting standards for performance, and reviews NAGB's capacity to provide sound guidance on technical issues. GAO found that NAGB's 1990 standard-setting approach was procedurally flawed and that the interpretations NAGB gave to the resulting scores were of doubtful validity. GAO recommends that the question of how to set and interpret performance standards be reopened and that structures and procedures for governing the assessment be reviewed to

ensure that policies are technically sound as well as responsive to constituent interests.

Testimony

Direct Student Loans: The Department of Education's Implementation of Direct Lending, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HRD-93-26, June 10 (nine pages).

Implementing direct lending will be a challenge to the Department of Education. It must be prepared to promptly work out kinks in the program to minimize the risks. If limitations on access or increases in loan defaults occur, the Department must identify and address them early to ensure the integrity of direct lending as the principal federal provider of financial aid to postsecondary students.

Employment

Testimony

Multiple Employment Programs: National Employment Training Strategy Needed, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Education, Labor, and Health and Human Services, Senate Committee on Appropriations. GAO/T-HRD-93-27, June 18 (10 pages).

For many years, people seeking help in finding jobs have had to contend with a vast number of federal programs offering employment training assistance. Some states have tried to coordinate the programs, but these efforts have not always been successful. To bring some order to the current fragmented "system" of more than 150 different federal employment training assistance programs, local, state, and federal leaders need to work together to set common goals for programs yet allow communities the flexibility to develop service-delivery mechanisms tailored to local needs. This testimony discusses (1) problems created by the myriad of employment training programs, (2) state and local efforts to coordinate these programs, and (3) the need for a national employment training strategy.

Energy

Nuclear Safety: Progress Toward International Agreement to Improve Reactor Safety

GAO/RCED-93-153, May 14 (16 pages).

Representatives of nearly half of the 114 members states of the International Atomic Energy Agency, including the United States, have participated in the development of an international nuclear safety convention—a proposed multilateral treaty to improve civil nuclear power reactor safety. A preliminary draft of the convention has been developed, but discussions are continuing, and when the final convention text will be completed and presented to member states for signature is uncertain. This report provides information on the development of the nuclear safety convention. GAO discusses (1) the draft convention's scope and objectives, (2) how the convention will be implemented and monitored, (3) the views of selected country representatives on what provisions should be included in the draft convention, and (4) the convention's potential benefits and limitations.

Safety and Health: Key Independent Oversight Program at DOE Needs Strengthening

GAO/RCED-93-85, May 17 (52 pages).

Since its inception in 1988, the Environment, Safety, and Health Office's Site Representative Program has not provided the vigorous independent oversight originally envisioned. Staffing constraints have limited the program's coverage of Department of Energy (DOE) sites, and the office has lacked a systemic approach for using the site residents' observations to evaluate safety and health performance. In addition, DOE has not required line management to respond to the site residents' findings. As a result, line management has failed to adequately address some major safety and health issues cited by site residents, posing unnecessary risks to workers. In restructuring the program in 1992, the Environment, Safety, and Health Office made a number of improvements, but basic problems persist, such as staffing constraints. In addition, new problems further limit this oversight capability—the program's coverage of occupational health has ceased; the program has not set minimum training requirements for site representatives; and the site representatives are not spending enough time touring work areas to identify safety problems. Finally, the office's ability to resolve problems once they are identified is limited

because of the absence of requirements spelling out how line managers should respond to findings.

Energy Policy:

Other Nations' Policies to Reduce Oil and Coal Use in Transport and Industry

GAO/RCED-93-139, May 28 (71 pages).

By 2010, U.S. oil and coal consumption are projected to rise by almost one-fifth over 1990 levels. The nation's continued heavy reliance on fossil fuels, particularly oil and coal, raises questions about its ability to meet energy security, environmental, and economic objectives. This report examines how other industrialized nations have dealt with the dilemma. GAO discusses the (1) factors that influence the type and the amount of energy that other nations use and, specifically, the trends in energy supply and use in Canada, France, Germany, Japan, and South Korea and (2) key policies and programs that these nations have adopted to promote conservation and the efficient use of oil and coal in their transportation and industrial sectors.

Energy Management:

Systems Contracting Weaknesses Continue

GAO/RCED-93-143, June 23 (14 pages).

GAO reported in 1989 that the Department of Energy (DOE) was encouraging the use of "systems contracts" without any proof that these contracts were cost-effective. Systems contracts are used to procure commonly used items, such as office, industrial, and laboratory supplies, as needed rather than purchasing the items in bulk and storing them in inventory. GAO revisited this issue and discovered that DOE's San Francisco Operations Office has yet to implement GAO's earlier recommendations to help ensure that the use of systems contracting is in the government's best interest. As a result, since January 1990, contractors at DOE's Stanford Linear Accelerator Center and the Lawrence Berkeley Laboratory have spent more than \$2 million on office supplies without any assurance that the contracts are cost-effective. The San Francisco Operations Office also has not determined whether controls over systems contracts are adequate at the Stanford and Berkeley facilities. During a nine-month period in 1992, Stanford and Berkeley spent more than \$540,000 on office supplies with no

guarantee that the prices paid were competitive with prices from other suppliers.

Environmental Protection

Air Pollution: Impact of White House Entities on Two Clean Air Rules

GAO/RCED-93-24, May 6 (35 pages).

GAO reviewed two of about 55 clean air rules issued by the Environmental Protection Agency (EPA), particularly focusing on White House involvement in the rule-making process. The two rules are the Municipal Waste Combustor (MWC) rule issued in February 1991, which established emission standards for new and guidelines for existing incinerators, and the Operating Permit Program (OPP) rule issued in July 1992, which requires about 35,000 major sources of air pollution to apply for operating permits by November 15, 1996. Although the EPA Administrator said that he made the final decisions on both rules, the content of the rules was changed after review and comment by White House entities, specifically the Office of Management and Budget, the Council on Competitiveness, and the Council of Economic Advisors. For example, the Council on Competitiveness recommended the removal of the MWC rule's waste separation provisions, which EPA did. On the OPP rule, EPA adopted the White House recommendation to allow sources to increase their emissions above permit levels without public notice and comment or prior approval by regulatory agencies. The courts have questioned, in the case of both rules, whether the EPA Administrator adequately supported his decisions in the final rule making. GAO believes that, regardless of the White House's effect on EPA's final rules, full disclosure of discussions with outside parties would contribute to a more complete record, a better explanation of EPA's decisions, and increased public confidence in the integrity of the rule-making process.

Solid Waste: Federal Program to Buy Products With Recovered Materials Proceeds Slowly

GAO/RCED-93-58, May 17 (109 pages).

By the year 2000, everyone in the United States is projected to discard more than four pounds of solid waste a day. Most of this waste ends up in landfills that are reaching capacity, and setting up new sites has become

increasingly difficult. Under the Resource Conservation and Recovery Act of 1976, Congress required federal agencies to buy items composed of materials recovered from discarded waste. The Environmental Protection Agency (EPA) was to designate which items agencies were to buy, the Commerce Department was to develop markets for recovered materials, and the Office of Management and Budget (OMB) was to implement the act's procurement policy. GAO found that EPA has been slow to develop procurement guidelines and that Commerce has done little to stimulate market development. In the absence of effective program leadership, some federal agencies have claimed to have been unaware of the program or assigned it a low priority. In response to heightened congressional interest, some agencies have begun complying with program requirements but have identified barriers that could hinder program effectiveness. Although OMB has submitted reports to Congress, it has only recently requested the information needed to measure agency progress. Without a system to provide needed data, complete information needed to assess the program may not be available in the future.

**Pesticides:
Reregistration May Not Be Completed Until 2006**

GAO/RCED-93-94, May 21 (37 pages).

Many pesticides are in use today that have never been fully evaluated for their potential to cause cancer, reproductive disorders, birth defects, and environmental damage. More than 20 years ago, Congress required the Environmental Protection Agency (EPA) to reassess and reregister thousands of older pesticides using current scientific standards. Although EPA has made progress in completing the first several steps of the reregistration process, the agency will be unable to complete the pesticide reassessment in 1997 and product reregistration in 1998 as expected. EPA believes that the program may not be completed until 2006. Meanwhile, most of these products continue to be sold and distributed despite sketchy knowledge of their health and environmental effects. EPA will be unable to complete the program on schedule because it did not take into account the complexity and magnitude of the reregistration task or the resources needed to conduct the program. Also, a large number of the studies that the registrants submitted as part of the process have been unacceptable. In addition, EPA's progress in reregistering pesticides used mainly on food products—those with the greatest potential to cause serious health problems—has been much slower than expected. Concentrating on these

high-priority pesticides could help EPA assess their risks more quickly and accelerate actions to reduce those risks.

Superfund:

EPA Action Could Have Minimized Program Management Costs

GAO/RCED-93-136, June 7 (48 pages).

Critics have raised concerns about Superfund contractors' excessive spending of public money on activities that do not advance the cleanup of hazardous waste sites. These concerns have focused on the high administrative and management costs incurred by contractors in the Alternative Remedial Contracting Strategy. GAO found that inaction on the part of the Environmental Protection Agency (EPA) has contributed to high program management costs for such contracts. These high costs arose in part because EPA awarded a large number of contracts and built in excess contract workload capacity to allow the agency to terminate contractors that performed poorly and to prevent future capacity shortages. The cleanup workload shortages EPA envisioned never materialized, however, in part because of a decision to have private parties responsible for site contamination manage and pay for cleanups. To minimize program management costs, GAO recommends that EPA analyze such contracts to determine whether terminating some of them would be more cost-effective than continuing to pay program management costs for the remaining life of underutilized contracts. GAO summarized this report in testimony before Congress; see:

Superfund: EPA Action Could Have Minimized Program Management Costs, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Superfund, Recycling, and Solid Waste Management, Senate Committee on Environment and Public Works. GAO/T-RCED-93-50, June 10 (16 pages).

Testimony

Pesticides: Status of FDA's Efforts to Improve Import Monitoring and Enforcement, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-93-55, June 16 (13 pages).

Consumers rely on the Food and Drug Administration (FDA) to test imported and domestic crops for prohibited pesticides. Yet FDA has once again failed to meet some important milestones in developing the Import

Support and Information System, which is intended to replace FDA's cumbersome manual processes and enhance the ability of FDA inspectors to stop imported foods adulterated with illegal pesticide residues from reaching U.S. grocery shelves. FDA has no idea when the system will be finished. GAO reported in September 1992 (GAO/RCED-92-205) that in four FDA districts about a third of the imported food in which FDA detected prohibited pesticides was not returned by importers to the Customs Service for supervised destruction or export. GAO continues to believe that FDA needs the authority to impose civil administrative penalties on importers who illegally distribute adulterated food shipments. FDA could also use its resources more effectively if it allowed its district offices greater discretion in placing growers and their imported foods on automatic detention status.

Superfund: Little Use Made of Techniques to Reduce Legal Expenses, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-93-60, June 30 (26 pages).

For most of the seven years since Congress provided the Environmental Protection Agency (EPA) with tools to expedite Superfund settlement, the agency has done little to promote their use and has placed little emphasis on the need to reduce transaction costs. These tools included (1) "de minimus" settlements, (2) nonbinding allocations of responsibility for cleanup costs by EPA to responsible parties, (3) mixed-funding agreements between EPA and parties to share cleanup costs, and (4) alternative dispute resolution and the use of neutral third-parties to help resolve liability and cost allocation problems. As a result, the full potential of the tools to reduce transaction costs is unknown. Before EPA can make more effective use of these settlement tools, management issues must be addressed. EPA needs to work toward creating an enforcement attitude that is concerned with the transaction costs of Superfund's responsible parties. This would include assessing the potential applicability of these settlement tools, creating regional accountability for their use, targeting resources, reviewing administrative procedures, and making potentially responsible parties more aware of the existence of these tools.

Financial Institutions

Resolution Trust Corporation: Status of Minority and Women Outreach and Contracting Program

GAO/GGD-93-106, May 19 (14 pages).

Although the Resolution Trust Corporation (RTC) took some steps in 1992 that have increased the number of contracts awarded and the amount of fees paid to minority- and women-owned businesses, RTC recognizes that work remains in key areas to achieve the goals of the Minority and Women Outreach and Contracting Program. Expanding opportunities for minority- and women-owned businesses, achieving agency goals, and ensuring that businesses claiming to be minority- or women-owned actually meet the program's requirements are key areas that require RTC's full attention. RTC intends to address these areas, in part by developing a plan to increase opportunities for businesses and law firms owned by minorities and women.

Testimony

Securities Markets: SEC Actions Needed to Address Market Fragmentation Issues, by James L. Bothwell, Director of Financial Institutions and Markets Issues, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce. GAO/T-GGD-93-35, June 29 (19 pages).

This testimony discusses fragmentation of the U.S. securities market—essentially the buying and selling of the same stock in different markets at the same time. GAO found that the Securities and Exchange Commission's (SEC) encouragement of market competition, advances in computer technology, and investors' demands for reduced trading costs have fostered increased fragmentation of exchange-listed stocks traded in U.S. markets. The trend toward fragmented has particularly affected the trading of stocks listed on the New York Stock Exchange, whose dominance is being increasingly challenged by regional exchanges, the dealer market, and foreign markets. GAO recommends that SEC develop a strategy for periodically monitoring the effects of market fragmentation, including trends in the achievement of best prices, the ability of the markets to facilitate trading, potential widening in bid and ask prices, and the impact of emerging technology. SEC should also consider whether an order exposure rule is needed.

Financial Management

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991

GAO/AIMD-93-1, June 30 (58 pages).

Although GAO audited the Army's financial statements for fiscal years 1991 and 1992, GAO was unable to express an opinion on them due to the Army's many accounting system inadequacies and missing financial records. GAO concludes that existing internal controls fell short in (1) protecting the Army's \$293 billion in reported assets, (2) ensuring material compliance with laws and regulations governing budget authority, and (3) eliminating material misstatements from the financial statements. Overall, GAO notes a host of serious problems, ranging from weak controls over cash and check processing to an unreliable system governing the disposition of \$53 billion in military equipment. In the case of the Army's military payroll, for example, more than 2,200 individuals who had left the service, including deserters, continued to be paid. These unauthorized payments totaled more than \$6 million.

Financial Management: Navy Records Contain Billions of Dollars in Unmatched Disbursements

GAO/AFMD-93-21, June 9 (46 pages).

The proper matching of disbursements with recorded obligations is an important way of ensuring that agency funds are used properly. The Standard Accounting and Reporting System, which annually accounts for nearly \$57 billion, or more than half, of the Navy's overall budget, contained \$12.3 billion in unmatched disbursements as of February 1992. Almost \$5 billion had been unmatched for more than two years. Of the total amount of unmatched disbursements, \$3.9 billion of individual disbursements of \$1 million or more had been unmatched with obligations for more than six months. The problem, however, may be much larger because GAO found instances in which Navy personnel arbitrarily matched obligations and disbursements. In addition, GAO found that unmatched disbursements were caused by lax compliance with internal controls or the lack of controls over (1) recording obligations in the accounting system before disbursing funds, (2) detecting and correcting errors in the disbursement process, and (3) posting accurate and complete accounting information in systems that support the disbursement process. Although

Navy officials acknowledge that unmatched disbursements have been a long-standing problem, current initiatives are unlikely to resolve the problem because they fail to address the basic causes outlined above.

**District of Columbia:
Fiscal Year 1992 Revenues From the Federal Government and
Other Sources**

GAO/AFMD-93-88, June 14 (10 pages).

GAO reviewed the independent certified public accounts' audit of the District of Columbia's breakdown of revenue from the federal government and other sources for fiscal year 1992. GAO found no evidence that the auditor's opinion was inappropriate or unreliable, although about \$8.7 million of federal revenue was included in other local revenue sources. A February 1993 letter from the Mayor of the District of Columbia mentioned that total local revenues of \$3,341,101,000 would be used as the calculation base for the federal payment authorization. This amount included certain revenues, however, that were not provided for in a directive from Congress on the kinds of revenues to be used as the calculation base. If the congressional directive had been followed, \$2,627,512,000 would have been reported as the calculation base for the federal payment authorization.

**Financial Audit:
Federal Family Education Loan Program's Financial Statements for
Fiscal Year 1992**

GAO/AIMD-93-4, June 30 (48 pages).

GAO audited the principal financial statements of the Federal Family Education Loan Program, formerly the Guaranteed Student Loan Program, and its internal controls and compliance with laws and regulations during fiscal year 1992. Although GAO was unable to give an opinion on the principal statements as a whole, GAO recognizes the effort that the Department of Education made in preparing the first comprehensive financial statement for the program. This was a difficult task, made even more so because the Department's systems were not designed to yield the reliable financial management information needed to effectively manage and report on the program's operations. GAO notes that internal controls were ineffective in protecting assets and ensuring that there were no material misstatements in the principal statements. The controls were

effective, however, in ensuring material compliance with laws related to the use of budget authority and with significant provisions of other laws and regulations.

Testimony

Financial Management: Opportunities to Strengthen Management of the Defense Business Operations Fund, by Donald H. Chapin, Assistant Comptroller for Accounting and Financial Management, before the Subcommittee on Military Readiness and Defense Infrastructure, Senate Committee on Armed Services. GAO/T-AFMD-93-6, June 16 (30 pages).

GAO continues to support the concept underlying the Defense Business Operations Fund. The fund, which could significantly reduce the Pentagon's costs, represents a comprehensive management tool for the services and components to plan and control their operations. The Defense Department (DOD), however, has underestimated the scope and complexity of implementing the fund. As a result, resources have been spread much too thin to handle the planning and development of the policies and procedures, to identify functional requirements, and to provide needed direction. GAO believes that unless the right executive leadership and process is put into place at the top, the fund's financial management operations will continue to fall short. Simply put, DOD must demonstrate both its commitment and ability to implement the fund and it should not be allowed to add any new activities or functions to the fund until it does so.

Financial Management: Status of BIA's Efforts to Resolve Long-Standing Trust Fund Management Problems, by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Senate Committee on Indian Affairs. GAO/T-AFMD-93-8, June 22 (nine pages).

GAO has testified repeatedly on problems with the Bureau of Indian Affairs' (BIA) management of the Indian trust fund, which includes billions of dollars earned from claims, oil and gas royalties, land use agreements, and investment income. Overall, the Bureau has failed to ensure that proper control and accountability are maintained over each trust fund account. The Bureau's record has been so poor, in fact, that the Office of Management and Budget has placed trust fund accounting on its high-risk list. This testimony discusses Bureau actions to correct past problems; problems that still need to be addressed; and GAO's views on S. 925, the Native American Trust Fund Accounting and Management Reform Act of

1993, which mandates many of the improvements spelled out in the Bureau's own audits and contractor studies.

Government Operations

Environmental Protection Agency: Plans in Limbo for Consolidated Headquarters Space

GAO/GGD-93-84, Apr. 19 (14 pages).

Both the Environmental Protection Agency (EPA) and the General Services Administration (GSA) agree that EPA needs a new headquarters. Until a solution is found, efforts to alleviate overcrowding and improve air quality and working conditions at EPA's current headquarters (Waterside Mall in southwest Washington, D.C.) will continue and should provide interim improvements. Although the new Federal Triangle Building initially appeared to be a promising site, neither EPA nor GSA anticipated congressional reluctance concerning EPA's occupancy of the building. In spite of a five-year lead time, GSA has been unsuccessful in securing a consolidated location for EPA. As a result, EPA will continue to spend millions on short-term leases and employee shuttle services until a long-term solution is found. GAO believes that the new administration should give prompt attention to EPA's need for consolidated headquarters space.

Political Appointees: 10-Year Staffing Trends at 30 Federal Agencies

GAO/GGD-93-74FS, Apr. 30 (28 pages).

Political appointees at the 30 federal agencies GAO reviewed accounted for 91 percent of the nearly 2,500 appointees governmentwide as of the end of 1991. Except for cyclical drops in the number of appointees during the first year of new administrations (1989 and 1981), there was little change in the total number of appointees at the 30 agencies and governmentwide during the 10-year period. Half of all appointees governmentwide were clustered at the following eight agencies: the Departments of Commerce, Agriculture, Health and Human Services, Energy, Education, States, and Justice, and the Office of the Secretary of Defense. Governmentwide, about 29 percent of the political appointees were noncareer senior executive service appointees in 1991, with about half of the 30 agencies exceeding this governmentwide average. At several smaller agencies, all appointees were Schedule C appointees. Smaller agencies also tended to

have a higher ratio of political appointees to full-time permanent employees.

**Personnel Security:
Efforts by DOD and DOE to Eliminate Duplicative
Background Investigations**

GAO/RCED-93-23, May 10 (33 pages).

The Defense Department (DOD), the Department of Energy (DOE), and other agencies have developed their own requirements for conducting background investigations and granting security clearances. As a result, clearances are not routinely accepted among agencies, and duplicative investigations may occur. The 1991 National Defense Authorization Act requires DOD and DOE to avoid duplicative background investigations on employees seeking security clearances. Both agencies are major users of background investigations, together budgeting nearly \$200 million in fiscal year 1991 for background investigations of their employees. This report examines (1) DOD and DOE efforts to eliminate duplication by automating the exchange of investigative data and (2) DOD's and DOE's participation in interagency efforts to eliminate duplication by standardizing the security clearance process.

**Classified Information:
Volume Could Be Reduced by Changing Retention Policy**

GAO/NSIAD-93-127, May 24 (45 pages).

The reason that the U.S. government maintains such a large volume of classified information—some dating to before World War II—is that declassification has been unnecessarily delayed. According to the General Services Administration, government officials exempted most material from the automatic declassification procedures because they believed that the prescribed maximum period was too short. Classifiers continue to unnecessarily retain classified material by not specifying a date or event for automatic declassification. As a result, most national security information will not be available to the public for at least 30 years. In other cases, classified documents have been erroneously marked. This has been a major problem at the State Department, where officials have been classifying most documents in full rather than designating those portions that actually contain classified information.

**White House:
Acquisition of Automated Resume Processing System**

GAO/GGD-93-117, June 17 (12 pages).

The White House acquired the Resumix computer system to process the flood of resumes of individuals seeking presidential appointments. Resumix appeared to have several advantages over the existing White House system, boasting more modern, less labor-intensive technology as well as potential cost savings. Also, with the large number of resumes expected, it seems unlikely that the existing system could have met the President's needs within the required deadlines. Efforts to meet federal contracting regulations governing sole-source contracting, however, had not been completed as of June 1993—four months after Resumix was leased. Although it was understandable that these were not met before Resumix was leased in February 1993, it would have been better business practice to meet them before the end of the three-month period. GAO found no evidence to support newspaper accounts of problems with the Resumix operations or the possibility of financial ties of key White House personnel with the system's suppliers.

**Customs Service and INS:
Dual Management Structure for Border Inspections Should
Be Ended**

GAO/GGD-93-111, June 30 (50 pages).

The Customs Service and the Immigration and Naturalization Service (INS) have a long history of interagency rivalry coupled with ineffective cooperation and coordination relating to border crossing operations. These problems still exist today, even though the agencies share responsibility for primary inspections at border crossings. These unproductive conditions appear to be deeply ingrained in the management of these two agencies, and GAO concludes that a single independent agency combining the functions of both Customs and INS is the most viable option to address the challenges posed by changing international business competition and increasing international migration flows.

Testimony

Congressional Support Agencies: The Role of the General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States,

before the Joint Committee on the Organization of Congress. GAO/T-OPP-93-1, June 10 (20 pages).

This testimony examines the mission of the General Accounting Office and how the agency helps Congress discharge its legislative, oversight, and appropriations responsibilities. The Comptroller General (1) discusses how GAO differs from its sister congressional support agencies and the Inspectors General; (2) presents statistics on GAO work load, productivity, and impact; (3) touches on how GAO work has alerted Congress to emerging problems, such as the thrift crisis and Pentagon underestimates of weapons program costs; and (4) explores recent agency changes, such as personnel downsizing, computer and facilities modernization, and the development of external review.

Performance Management: Comments on Reauthorization of the Performance Management and Recognition System, by Nancy R. Kingsbury, Director of Federal Human Resource Management Issues, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-93-37, June 24 (18 pages).

The Performance Management and Recognition System, the government's pay-for-performance system for managers in grades 13 to 15, has fallen short in meeting its goal of improving individual and organizational effectiveness. Supervisors have been inflating ratings to protect employees against being harmed by the rating, i.e., not being promoted. In addition, because the pool of funds available for awards is limited, the increasing number of employees receiving performance awards has shrunk the size of individual awards. General agreement exists that performance management systems need to be more flexible to permit tailoring to the mission and culture of each agency. The Office of Personnel Management's (OPM) recently circulated principles and features for performance management reform provide flexibility and allow agencies to design their own performance management systems with input from employees and their representatives. The thrust of OPM's reform proposals are consistent with GAO's recommendations. GAO encourages agencies to focus on developing a clear purpose for each element of their performance management system and to strengthen the elements of the system that are designed to regularly provide realistic feedback on performance, such as expectation setting and regular discussions about performance. Agencies need to establish, with OPM oversight, evaluation procedures that will

routinely provide information and accountability so that rewards and recognition are handled fairly for all employees.

Health

Medicaid:

HealthPASS: An Evaluation of a Managed Care Program for Certain Philadelphia Recipients

GAO/HRD-93-67, May 7 (77 pages).

Federal and state policymakers believe that managed care programs are less expensive than traditional fee-for-service medical care, but critics express concern that cost-control measures may harm patient access to care and the quality of care. In 1986, Pennsylvania contracted with the private sector to create HealthPASS, a managed care program available to Medicaid recipients in south and west Philadelphia. GAO found that pregnant women enrolled in HealthPASS receive appropriate obstetrical care when they seek it, but often women seek prenatal care too late or too infrequently, despite the program's outreach efforts. Many children enrolled in HealthPASS are not receiving timely and federally mandated care, such as immunizations, vision tests, hearing tests, and lead poison and sickle cell anemia screening, apparently because doctors are unaware of federal requirements or because parents and guardians are not seeking these services for children. Outreach efforts and increased reimbursement for these services have not significantly boosted the number of children receiving care. Several reviews of HealthPASS' quality assurance program show it to meet federal and state requirements; GAO found, however, that the program has unknowingly contracted with physicians whose performance is substandard or whose conduct is unprofessional. GAO suggests that the program use information from the Federation of State Medical Boards and the National Practitioner Data Bank to spot doctors with questionable histories.

Hospital Sterilants:

Insufficient FDA Regulation May Pose a Public Health Risk

GAO/HRD-93-79, June 14 (38 pages).

The Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) were justified in halting sales of a sterilizing solution and disinfectants produced by Sporicidin International, Inc. The sterilizing solution was found to do a poor job of cleaning medical instruments,

putting patients at risk of serious infections. The company had been marketing its products without prior FDA authorization and had failed to register its products. FDA inspections at Sporicidin also uncovered significant violations of good manufacturing practices regarding cleanliness and recordkeeping. Although FDA took proper action against Sporicidin, its overall regulation of hospital sterilants and disinfectants has been shoddy, allowing manufacturers of hospital sterilants and disinfectants to market many products without first guaranteeing that they are safe and effective in killing harmful germs.

**Health Reports:
June 1991 Through May 1993**

GAO/HRD-93-119, June 1993 (48 pages).

This publication lists GAO reports and testimony issued during the past two years on health topics. More recent reports are accompanied by summaries. Order forms enabling readers to be placed on GAO's mailing list for health reports or to request GAO products are also included.

Testimony

Overhead Costs: Unallowable and Questionable Costs Charged to Medicare by Hospital Corporation of America, by Neal P. Curtin, Director for Planning and Reporting in the National Security and International Affairs Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-NSIAD-93-16, June 23 (23 pages).

GAO examined \$2.6 million in expenses incurred by the Hospital Corporation of America (HCA) and found that \$1.1 million of that amount was questionable. GAO believes that the general nature of the Medicare cost principles was the main reason for HCA including unallowable costs in its Medicare cost reports. The way in which HCA interpreted the cost principles also contributed to questionable costs being included in the report. HCA is not, however, the only health care provider that has included questionable costs in Medicare cost reports. The Inspector General (IG) at the Department of Health and Human Services recently reviewed general and administrative expenses and employee fringe benefit costs at 19 hospitals and two corporate offices across the country. The IG identified \$50 million in unallowable costs and more than \$3 million in questionable costs included in their Medicare cost reports. Such inappropriate costs are boosting the cost of health care overall and Medicare in particular.

Housing

Rural Housing: FmHA's Home Loan Program Not Meeting the Needs of All Rural Residents

GAO/RCED-93-57, June 14 (56 pages).

The Farmers Home Administration (FmHA), part of the Agriculture Department, makes home loans to rural residents who cannot afford homes through private financing. GAO found that although rural areas have the worst housing conditions, they receive a smaller percentage of housing assistance than areas close to urban centers. Program funds lent under FmHA's single-family housing program are concentrated in and around metropolitan areas and are disproportionately higher than the demand for housing in these areas warrants. Remote rural areas, on the other hand, receive a disproportionately low amount of funds in relation to housing needs. Congress has acted to ensure that remote rural areas are better served by the program, but these actions have not yet been implemented. FmHA has identified factors contributing to the low demand for program funds in remote areas, including low income limits difficult for remote rural families to meet and subjective application of criteria used to approve housing for the program. This report includes color photos of houses rejected for the program because of slight violations, such as having a fireplace or too many windows.

Testimony

Public Housing: Projects Developed With Low-Income Housing Tax Credit Differ From Traditional Public Housing Development Projects, 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-93-54, June 17 (12 pages).

Because of declining federal funding, the number of housing units added to the nation's public housing stock fell dramatically, from about 30,000 in 1981 to less than 3,000 a decade later. Some public housing authorities, responding to the unmet housing needs of low-income households, have begun using the tax credit program as a way to raise money to build more public housing. This testimony compares the low-income housing tax credit program and the public housing program in terms of (1) tenant and project characteristics, (2) costs to the federal government, and (3) public housing administrations' experiences with developing each type of project.

Income Security

Social Security: Need to Improve Postentitlement Service to the Public

GAO/HRD-93-21, May 7 (28 pages).

Postentitlement services are those provided to Social Security beneficiaries and include replacement of lost or stolen checks, converting spouses to survivors' status, and making address changes to checks. About 64 million postentitlement actions were processed for individuals in 1990 in SSA's retirement, survivors, and disability programs, and another 12 million actions were processed for the supplemental security income program. GAO reviewed SSA's processing of these actions and found that check replacement services could be improved by changing the current policy of delaying missing check claims for two weeks and instead processing the claims more quickly. Procedures also contribute to delays in the completion of spouse conversions to survivors' status. In GAO's opinion, SSA's practice of not providing election forms to all currently entitled spouses with dual entitlement until much later in the processing cycle should be changed.

Small Pension Plans: Concerns About the IRS Actuarial Audit Program

GAO/HRD-93-64, June 30 (31 pages).

After discovering that some highly paid professionals were reaping huge tax deductions by making extremely large contributions to their pension plans, the Internal Revenue Service (IRS) began in 1989 a nationwide audit of small defined benefit pension plans—those with one to five participants. IRS concluded that in many cases large tax deductions were being taken on the basis of unreasonably conservative actuarial assumptions used in calculating allowable pension contributions. Many taxpayers and their accountants complained that IRS was merely trying to generate federal revenues at the expense of small businesses. This report analyzes the impact of the IRS audit program on small business sponsors of defined benefit pension plans. GAO examines the validity of the complaints about IRS' reasons for undertaking the audit program, identifies whom the program targeted, and determines whether IRS considered taxpayer facts and circumstances before substituting its own actuarial assumptions.

Information Management

Automated Medical Records: Leadership Needed to Expedite Standards Development

GAO/IMTEC-93-17, Apr. 30 (32 pages).

Although electronic sharing of medical data is crucial to the effective and efficient delivery of quality health care, more than a decade of effort has yielded little agreement among public and private interests on the standards required to develop an automated medical records system. As a result, U.S. health care practitioners continue to rely on a cumbersome, paper-based clinical records system that has remained largely unchanged for decades. Efforts to develop automated medical record standards have been stymied by a lack of leadership. Several voluntary organizations have been most active in developing standards. But the complex nature of medical care, the large number of standards needed, and the variety of special interests involved in standards development have made this a daunting task. To date, the federal role in this effort has been limited. GAO believes that more active federal involvement could speed standards development.

Software Tools: Defense Is Not Ready to Implement I-CASE Departmentwide

GAO/IMTEC-93-27, June 9 (18 pages).

To help streamline operations and manage resources more effectively, the Pentagon began work on several technical projects, including the integrated computer-aided software engineering (I-CASE) acquisition. This effort is intended to provide the military with standard software development tools that can improve software quality and reduce the costs of developing and maintaining software. Due to the immaturity and the evolving nature of the I-CASE industry, GAO concludes that it is very risky for the Defense Department (DOD) to try to implement I-CASE throughout the military. Further, DOD's strategy of acquiring I-CASE tools before determining how its business process will change and what its future software development needs will be is not prudent. DOD has little assurance that the I-CASE contract will deliver products and services that meet the military's needs.

**Federal Health Care:
Increased Information Sharing Could Improve Service,
Reduce Costs**

GAO/IMTEC-93-33BR, June 29 (41 pages).

Sharing of health information among the Department of Veterans Affairs, the Defense Department, and the Indian Health Service offers many potential benefits, including improved service to patients, reduced costs, and better use of health care facilities. Despite these benefits, such sharing is limited and is generally paper-based; electronic exchange of information is nonexistent, and intra-agency exchange is limited. Before additional sharing can be achieved, several barriers must be overcome, with organizational barriers being the most challenging. Each agency has its own regulation, management information requirement, and clinical support operations that will have to be addressed. To facilitate additional sharing, consensus will be needed to standardize some of the agency-specific, health care functions and their implementation.

International Affairs

**Foreign Assistance:
AID Strategic Direction and Continued Management
Improvements Needed**

GAO/NSIAD-93-106, June 11 (75 pages).

The Agency for International Development (AID) is at a critical juncture in its 30-year history. Even as AID is undertaking new, ambitious initiatives, like providing assistance to the former Soviet Union, it has come under increasing scrutiny because of concerns that its management of the current foreign aid program has been poor. Moreover, the Soviet threat that once was the glue for political and popular support of foreign aid has disappeared, and what resources AID will have to draw on during this era of tight federal budgets is unclear. This broad-based evaluation of AID's management examines whether the agency has (1) effectively coped with the rapid expansion of its responsibilities, (2) established effective management controls over its decentralized operations, and (3) adequately managed its human resources.

**Exchange Programs:
Inventory of International Educational, Cultural, and
Training Programs**

GAO/NSIAD-93-157BR, June 23 (44 pages).

This briefing report provides an overview of U.S. government-funded international educational, cultural, and training exchange programs. GAO provides an inventory of federally funded international exchange and training programs; discusses potentially duplicative, overlapping, or fragmented programs; assesses the extent of program coordination and oversight; and identifies some legal requirements that some executive branch officials claim limit their ability to manage international exchange programs.

Testimony

U.N. Peacekeeping: Observations on Mandates and Operational Capability, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Issues, before the Subcommittee on Terrorism, Narcotics, and International Operations, Senate Committee on Foreign Relations. GAO/T-NSIAD-93-15, June 9 (11 pages).

The number, cost, and complexity of U.N. peacekeeping mission have increased dramatically in recent years. In the 40 years from 1948 through 1987, the U.N. deployed only 13 peacekeeping missions; in the following five years, the U.N. deployed 14. Expenditures for peacekeeping have mushroomed from \$364 million in 1986-87 to as estimated \$3.6 billion in 1992-93. As the same time, the whole concept of peacekeeping is evolving. Where it once mainly involved monitoring cease-fire agreements, it now encompasses situations like those in Cambodia, Somalia, and other other areas where the missions are much broader. This testimony discusses the following three issues: (1) peacekeeping mandates, (2) limits on the U.N.'s capacity to undertake and support peacekeeping missions, and (3) the status of command and coordination in the field.

U.S. Food Aid Exports: The Role of the Cargo Preference, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Foreign Agriculture and Hunger, House Committee on Agriculture. GAO/T-GGD-93-34, June 17 (25 pages).

In April 1993, the White House announced the availability of \$700 million in agricultural credits to Russia under the Food for Progress Program. Considerable press interest has focused on the additional cost of using U.S.- rather than foreign-flagged ships to transport at least 75 percent of the commodities, as required by the cargo preference laws. This testimony discusses the costs involved in using U.S.-flagged vessels, declines in the number of U.S.-flagged vessels, and the U.S. experience in shipping cargo during the Persian Gulf War.

Justice and Law Enforcement

War on Drugs: Federal Assistance to State and Local Drug Enforcement

GAO/GGD-93-86, Apr. 29 (43 pages).

This report reviews federal funding and oversight of multijurisdictional task forces, local entities created to integrate federal, state, and local drug enforcement efforts. The federal government funds these task forces through the Edward Byrne Memorial State and Local Law Enforcement Assistance Program. The Justice Department, which runs the program, is required to work with state agencies to oversee the task forces and other drug enforcement projects funded by the program. This report (1) describes task force funding and its uses under the Byrne Program; (2) determines how the task forces coordinate investigations with the Drug Enforcement Administration; and (3) examines how task force activities and funding are monitored, evaluated, and reported. GAO notes that Justice staff were not making required annual visits to each state and did not always prepare required reports for visits that were made.

Prisoner Labor: Perspectives on Paying the Federal Minimum Wage

GAO/GGD-93-98, May 20 (27 pages).

If the prison systems GAO visited had to pay the minimum wage to their inmate workers, they would have to pay hundreds of millions of dollars more each year for the same number of hours worked. These prison systems generally considered minimum wage for inmates unaffordable, even if substantial user fees—charges for room and board—were imposed on the inmates. Prison officials consistently said that large-scale cutbacks in inmate labor were a likely and, in their view, dangerous consequence of having to pay minimum wage. They believed that less inmate work means

more idle time and increased the potential for violence and misconduct. On the other hand, some groups took a more favorable view of minimum wage for inmates, believing that prison work experiences should be more like those in the general public. Minimum or prevailing wages are part of the "factories with fences" concept that many criminal justice, private industry, and other officials supported in the 1980s. This concept calls for (1) greater use of prison industries, particularly those run by the private sector, and (2) operating the industries under normal business and pay practices.

Drugs:

International Efforts to Attack a Global Problem

GAO/NSIAD-93-165, June 23 (36 pages).

The major industrialized nations have taken a global approach to combating the production, sale, and use of illicit drugs. Under this approach, counternarcotics programs in drug producing and trafficking countries are funded by either donor countries or international organizations. This report provides a snapshot of international counternarcotics efforts. GAO describes (1) the types of antidrug programs funded and the extent to which they support or complement U.S. counternarcotics strategy objectives, (2) U.S. efforts to increase international support for U.S. counternarcotics objectives, including support in countries where the United States has little political influence; and (3) the mechanisms used to coordinate international counternarcotics programs.

Firearms and Explosives:

Information and Observations on ATF Law Enforcement Operations

GAO/GGD-93-73BR, June 24 (120 pages).

This briefing report reviews the firearms and explosives activities of the Bureau of Alcohol, Tobacco and Firearms (ATF). Firearms investigations target violent crimes and drug crimes committed with firearms, firearms trafficking, and organized crime. Explosives investigations focus on criminal bombings, thefts of explosives, and arson. GAO answers the following questions: (1) What types of cases does ATF's Office of Law Enforcement investigate? (2) How are ATF's special agents allocated in relation to violent crime? (3) How does ATF set firearms and explosives law enforcement priorities? (4) What are the results of ATF's firearms and

explosive cases? (5) How does ATF's Office of Law Enforcement use referrals from its Office of Compliance Operations? (6) How useful are ATF's firearms traces? (7) How does ATF handle firearms, explosives, and other property that it takes into custody?

Testimony

Immigration Enforcement: Problems in Controlling the Flow of Illegal Aliens, by Laurie E. Ekstrand, Associate Director for Administration of Justice Issues, before the Subcommittee on International Law, Immigration, and Refugees, House Committee on the Judiciary. GAO/T-GGD-93-39, June 30 (14 pages).

This testimony focuses on the enforcement problems confronting the Immigration and Naturalization Service (INS) concerning illegal aliens, including the administration's June 1993 plan to combat alien smuggling by organized crime syndicates. GAO notes that as long as political unrest and economic hardship beset much of the world, millions of people will try to flee to the United States. Many immigration issues are, for the most part, beyond the direct control of INS. INS' task is further compounded by a lack of consensus on the part of both Congress and the American people concerning immigration policy and its enforcement. Further, INS has limited resources with which to stem the flow of illegal aliens. For example, it cannot detain most of those aliens whom it believes should be denied entry or pursue those aliens living here illegally.

National Defense

U.S. Corps of Engineers: Better Management Needed for Mobilization Support

GAO/NSIAD-93-116, Apr. 29 (12 pages).

The U.S. Army Corps of Engineers has begun modifying its plans for mobilization support activities to include regionally based conflicts like the Persian Gulf War, but key planning guidance remains focused on the full mobilization of forces for global war. The Corps has not established any timetable for revising this guidance and does not expect to make any changes until after it has completed a study of its future support program for natural disasters and national security emergencies. The Corps also has not determined its personnel requirements for conflicts involving less than full mobilization. Corps readiness to support mobilization is uncertain. Readiness evaluations are not based on objective standards and

exclude overseas activities. In addition, the Corps has failed to follow up on identified deficiencies.

**Operation Desert Storm:
Limits on the Role and Performance of B-52 Bombers in
Conventional Conflicts**

GAO/NSIAD-93-138, May 12 (10 pages).

The limited role of strategic bombers in Operation Desert Storm, coupled with employment, equipment, and training problems, precludes a definitive assessment of the contribution they can make in a conventional war. The B-52 was intended to undermine the morale of Iraqi ground forces through periodic bombardment. The sheer number of other aircraft attacking the same targets and inadequate battle damage assessments, however, make it hard to isolate the B-52's contribution. GAO does note several issues that should be addressed in deciding the future of the bomber force. First, because the B-52 was often employed like a tactical fighter aircraft, Desert Storm did not make full use of its conventional capabilities. Second, the nuclear orientation of the B-52 force made the plane inadequately prepared for the demands of conventional missions in the Persian Gulf. Finally, B-52 support during Desert Storm was at the same time a notable success story and an object lesson in the magnitude of the effort required to sustain B-52 operations overseas. GAO believes that the need for theater commanders to play a major active peacetime role in identifying bomber equipment and training priorities was a major lesson learned during Desert Storm. But the bomber priorities embodied in the Air Force road map, such as fixed targets and long range, autonomous operations, do not reflect the theater commanders' use of B-52s in Desert Storm. Nor did the Air Force seek input from theater commanders in developing its road map.

**Defense Civilian Downsizing:
Challenges Remain Even With Availability of Financial
Separation Incentives**

GAO/NSIAD-93-194, May 14 (16 pages).

GAO has been monitoring the Pentagon's management of civilian force reductions since 1991. This report (1) updates the status of the Defense Department's (DOD) civilian work force reductions; (2) updates some of the problems and consequences arising from DOD's approach to civilian

downsizing, including the difference in how white-collar and blue-collar employees have been affected so far; and (3) provides a preliminary assessment of DOD's initial use of financial separation incentives. GAO also discusses some important constraints on DOD's planning for future force reductions.

**Naval Air Operations:
Interservice Cooperation Needs Direction From Top**

GAO/NSIAD-93-141, May 19 (37 pages).

In response to congressional interest in naval aircraft performance during Operations Desert Shield and Desert Storm, GAO focused on complications arising from the joint service operating environment and the impact on naval air operations. This report identifies (1) the difficulties and the challenges that Navy and Marine Corps aviation units encountered integrating their combat skills and equipment capabilities with those of other services, (2) the impact that these challenges had on Navy and Marine Corps Aircraft operations, and (3) actions being taken in response to lessons learned.

**Defense Transportation:
Defense Logistics Agency's Regional Freight Consolidation Centers**

GAO/NSIAD-93-169, May 21 (12 pages).

The Pentagon is not realizing the estimated savings from sending vendor shipments through the Defense Logistic Agency's (DLA) regional freight consolidation centers because many vendors are not passing the savings on to DLA and because freight volume has been lower than expected. In addition, the Defense Department (DOD) did not consider a more economical alternative that GAO believes could have reduced DOD's transportation costs by more than 40 percent by using existing government freight rates and by sending the shipments from the vendors directly to the storage depots. Overall, the centers are close to delivering shipments to depots within the required time, but three percent of the vendors GAO surveyed cited many problems with lost, damaged, or mishandled freight.

**DOD Food Inventory:
Using Private Sector Practices Can Reduce Costs and
Eliminate Problems**

GAO/NSIAD-93-110, June 4 (44 pages).

GAO reviewed DOD's military food supply system for feeding troops within the continental United States, comparing its logistics practices for supplying food with those used by the food service industry to identify any practices DOD could adopt to reduce its logistics costs. GAO found DOD's food supply system to be outmoded and inefficient. Inventories are too large at all levels, and items often sit on shelves for months or years before reaching users. Many costs incurred for holding, handling, and transporting large quantities of food are unnecessary because the existing network of private sector full-line distributors could supply food to DOD much more efficiently. DOD's limited use of private distributors to meet some food needs has demonstrated such benefits as lower costs and improved service.

**Commercial Practices:
DOD Could Save Millions by Reducing Maintenance and
Repair Inventories**

GAO/NSIAD-93-155, June 7 (48 pages).

The Defense Department's secondary inventories, which include spare parts for weapons and consumable items, such as nuts and bolts, increased by \$60 billion between 1980 and 1988. GAO examined DOD's logistics practices involving supplies and compared them with commercial practices that DOD could adopt to reduce inventory costs. At DOD wholesale and retail locations, current supply management practices have led to excess inventories and inventories of obsolete or old items; also, management and storage of years' worth of supplies cost DOD millions of dollars each year. Private companies have demonstrated the cost savings potential of some modern inventory management practices, such as the use of "supplier parks" centrally located near industrial centers where the supplies are used and the use of direct delivery programs with suppliers. GAO recommends that DOD test the applicability of such practices to military industrial centers and quantify the costs and benefits of adopting the practices.

**Operation Desert Shield/Storm:
Impact of Defense Cooperation Account Funding on Future
Maintenance Budgets**

GAO/NSIAD-93-179, June 10 (20 pages).

In earlier reports (GAO/NSIAD-92-194 and GAO/NSIAD-91-304), GAO stated that the Pentagon's estimates of maintenance funding requirements for equipment used in Operation Desert Storm may have been overstated. Although early inspections found that equipment initially returning from Operation Desert Storm was in good condition and would need little additional maintenance beyond that normally planned and budgeted for, equipment returned later was discovered to be in much worse shape. This report discusses the nature and the extent of damage sustained by the military's equipment used in the Persian Gulf and includes color pictures of equipment exposed for lengthy periods to harsh desert conditions. GAO also discusses the cost of maintaining and repairing equipment used in the operation and the degree to which such costs are being covered by contributions from U.S. Allies to the Defense Cooperation Account.

**Disaster Assistance:
DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar**

GAO/NSIAD-93-180, June 18 (35 pages).

Within a three-week period, Florida, Louisiana, Hawaii, and Guam were ravaged by storms that inflicted billions of dollars in damages and disrupted the lives of hundreds of thousands of people. As part of the government's response to Hurricanes Andrew and Iniki as well as Typhoon Omar, the Federal Emergency Management Agency asked the Defense Department to help provide humanitarian assistance to the disaster victims. This report (1) identifies the roles and the missions of the active military and National Guard forces that provided the assistance; (2) identifies problems affecting their delivery of assistance; (3) determines whether their participation affected their units' readiness and training; (4) determines whether the military needs to reorient its roles, training, equipment, and doctrine for these kind of operations; and (5) identifies the costs and the sources of funding associated with the military's participation in disaster assistance.

**National Aero-Space Plane:
A Need for Program Direction and Funding Decisions**

GAO/NSIAD-93-207, June 18 (12 pages).

GAO reported in December 1992 that the (1) projected cost for the baseline National Aero-Space Plane program had soared from \$3.1 billion to \$17 billion, (2) time frames for achieving milestones such as the first flight were uncertain, and (3) development of key technologies had encountered problems. The upshot has been a deferment of the decision to begin phase III. Neither the Office of Science and Technology Policy, the Steering Group, nor the Defense Department (DOD) has provided clear direction on what the program's future efforts and objectives should be. The Air Force and NASA have generally accepted a program office proposal to conduct a series of flight tests before committing to building the X-30, but DOD has not made a final decision on this proposal. Additionally, DOD and NASA have not agreed on the program's current and future funding needs. These conditions hinder efforts to properly plan and execute future technical efforts, initiate required contractual action, and project program costs.

**Depot Maintenance:
Requirement to Update Maintenance Analyses Should Be Modified**

GAO/NSIAD-93-163, June 22 (16 pages).

The military services have neither completed nor updated their reliability-centered maintenance analyses on operational aircraft and aircraft engines. Such analyses, part of an overall preventive maintenance approach, are intended to restore equipment to its design levels of safety and reliability. The goal is to ensure, at the least expense, that equipment lasts as long as it was designed to. Service officials said that performing or updating analyses of operational equipment with extensive maintenance experience was not cost-effective. The services are, however, doing reliability-centered maintenance analyses of major systems under development, such as the Army's T800 engine and the Air Force's F-22 aircraft. Pentagon officials believe that applying concepts such as reliability-centered maintenance during system development contributes to efficient preventive maintenance programs.

**Navy Laboratories:
Plans for Consolidation and Progress Towards Implementation**

GAO/NSIAD-93-160, June 23 (50 pages).

The Navy intends to cut more than 2,700 jobs by fiscal year 1997 by consolidating technical and overhead functions at its research and development laboratories. The Navy plans, through mission reorganization, to transfer functions and nearly 6,000 associated positions between research, development, test, and evaluation activities. These figures do not take into account additional reductions and transfers that could result from future budget cuts and Pentagon downsizings. This report discusses the (1) Navy's consolidation planning process and its initial plan, (2) Navy's implementation of the plan and the status of consolidation, and (3) impact of the consolidation on Navy programs.

**Homosexuals in the Military:
Policies and Practices of Foreign Countries**

GAO/NSIAD-93-215, June 25 (51 pages).

In light of ongoing congressional debate over the President's proposal to lift the ban on homosexuals in the armed forces, this report examines how 25 foreign countries have handled this issue. Included are in-depth reviews of four countries—Canada, Germany, Israel, and Sweden—that allow gays to serve. Of the 25 countries in GAO's sample, 11 allow gays to serve, 11 prohibit gays from serving, and three have no regulations or policies on this issue. Military officials in Canada, Germany, Israel, and Sweden all report that the presence of homosexuals in the military has not been an issue and has not harmed unit readiness, effectiveness, cohesion, or morale.

**ICBM Modernization:
Minuteman III Guidance Replacement Program Has Not Been
Adequately Justified**

GAO/NSIAD-93-181, June 25 (35 pages).

The Minuteman III weapon system is expected to be the nation's only fielded land-based intercontinental ballistic missile system after 2003. The Pentagon plans to modify the system—at a cost of \$4.6 billion—so that it can continue operating until 2020. By then, the weapon system will be 50

years old, a far cry from the original plans envisioning a 10-year life span for the Minuteman. GAO believes that it would be premature to begin engineering and manufacturing development of the first phase of the guidance replacement program in August 1993. These efforts should be delayed until the Air Force has completed the necessary studies and analyses to justify proceeding. The program's second phase is uncertain at this time, pending a better definition of the post-Strategic Arms Reduction Treaty mix of U.S. and Russian strategic nuclear forces and capabilities. Even if enhanced operational capabilities are agreed upon and the Minuteman III will need to be upgraded, it remains to be seen whether the planned advanced inertial measurement system is the best way of delivering these capabilities.

**Ballistic Missile Defense:
Information on Directed Energy Programs for Fiscal Years 1985
Through 1993**

GAO/NSIAD-93-182, June 25 (50 pages).

The \$4.9 billion allocated by the Strategic Defense Initiative Organization (SDIO) for fiscal years 1985-93 for developing lasers and particle beams was spent primarily on five programs—the space-based chemical laser; the ground-based laser; the space-based neutron particle beam; the acquisition, tracking, and pointing subsystems; and nuclear directed energy concepts. The development of these technologies has not advanced as quickly as expected. SDIO estimates that over four years, \$777 million will be needed to complete the work needed for a decision on whether to fund system-level demonstrations for several of the programs. SDIO has requested only \$103 million for all directed energy work in fiscal year 1994, suggesting that it may take longer than four years to complete that work. The free electron laser was transferred to the Army, which did not provide any funding for it in fiscal year 1994.

**Operation Desert Storm:
Apache Helicopter Fratricide Incident**

GAO/OSI-93-4, June 30 (100 pages).

In a February 1991 incident involving “friendly fire” during the Persian Gulf War, two American servicemen were killed and six were wounded by missiles fired by an Apache helicopter. Concerns were raised about whether equipment failure caused the incident, whether the U.S. Army

tried to mislead Congress about the Apache's performance, and whether the Army improperly released information to the press. This report contains a detailed discussion of the incident, including related events and contributing factors; an analysis of the Army's investigation of the incident; and responses to the specific concerns just mentioned.

**Medical Readiness Training:
Limited Participation by Army Medical Personnel**

GAO/NSIAD-93-205, June 30 (10 pages).

GAO reported in August 1992 (GAO/NSIAD-92-175) that many Army medical personnel had not trained during peacetime to perform their assigned wartime roles during Operation Desert Storm. This report revisits that issue and discusses the (1) training that is now available to prepare Army medical personnel for their wartime mission, (2) factors inhibiting medical personnel's participation in this medical readiness training, and (3) steps the Army has taken to improve medical readiness training.

Testimony

The U.S. Nuclear Triad: GAO's Evaluation of the Strategic Modernization Program, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Senate Committee on Governmental Affairs. GAO/T-PEMD-93-5, June 10 (15 pages).

Evidence from eight classified GAO reports assessing weapon system upgrades suggests that the sea leg is the strongest, most cost-effective component of the U.S. strategic triad. In the case of the air leg, strategic bombers add a critically important stabilizing character to the overall nuclear force, both because they are recallable—unlike missiles—and because they are virtually incapable of making a surprise attack. Yet the secret Pentagon studies used to justify the principal weapon system upgrades of the 1970s and 1980s reveal a disturbing lack of hard data on whether the proposed systems were justified in terms of the threat they faced, their performance compared with other systems, and their relative costs.

Natural Resources

National Park Service: Scope and Cost of America's Industrial Heritage Project Need to Be Defined

GAO/RCED-93-134, May 14 (33 pages).

America's Industrial Heritage Project consists of several sites scattered throughout southwestern Pennsylvania that will explain how the region's iron and steel, coal, and transportation industries contributed to the nation's industrial growth. The project is expected to revitalize the region's economic base through tourism. Much uncertainty exists, however, about the development and the completion of the project. Although one estimate pegs the cost of completing the project at about \$355 million, including \$155 million in federal funds, this estimate lacks documentation and the final scope of the project has yet to be defined. Uncertainty also exists about the operation and maintenance of project sites on nonfederal land. Although some of the sites will be run by the National Park Service, other projects built on nonfederal land are to be run by nonfederal entities. Yet GAO was told that federal funds will be used for up to five years to run several projects on nonfederal land. Finally, it is unclear who will be responsible for managing, operating, and maintaining the projects. The Southwestern Pennsylvania Heritage Commission, part of the Interior Department, has been overseeing the project's implementation, but the Commission's term expires in November 1998. Although the Commission favors the establishment of a not-for-profit corporation that would run all the projects, it has yet to make a final choice among the options being considered.

Science, Space, and Technology

Federal Research: Minor Changes Would Further Improve New NSF Indirect Cost Guidance

GAO/RCED-93-140, June 3 (13 pages).

The National Science Foundation (NSF), an independent federal agency with a budget of about \$2.7 billion, promotes science in the United States through grants to research institutions. The grants pay for both direct costs, such as the salaries of the investigators and the equipment needed for a project, and indirect costs or overhead, which include utility and accounting expenses. In April 1992, GAO reported that several large universities receiving federal grant money were charging inappropriate

indirect costs to the government, including entertainment expenses, depreciation of a 72-foot yacht, and the operating costs of a shopping center. This report provides information on, and identifies improvements needed in, (1) the indirect cost guidance that NSF provides to small organizations and small businesses, (2) NSF's procedures for establishing indirect cost rates, and (3) the extent to which NSF's audit guidelines and audits cover indirect cost charges.

Testimony

Technology Transfer: Implementation of CRADAs at NIST, Army, and DOE, by Jim Wells, Associate Director for Energy and Science Issues, before the Subcommittee on Energy, House Committee on Science, Space, and Technology. GAO/T-RCED-93-53, June 10 (16 pages).

Cooperative research and development agreements (CRADA) are one of several mechanisms that federal laboratories use to transfer technology to the private sector. Under a CRADA, federal laboratories and collaborators agree to share resources as they conduct research and development. The CRADA defines the terms and conditions for the collaboration, including who will own, use, and commercialize a technology. This testimony compares the Department of Energy's implementation of CRADAs with the approaches used by the Army and the National Institutes of Standards and Technology.

Federal Research: Superconducting Super Collider's Total Estimated Cost Will Exceed \$11 Billion, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-93-57, June 30 (17 pages).

Management problems continue to hinder accurate and timely reporting of the Superconducting Super Collider's cost and status. Although the project's total cost cannot be reliability estimated, GAO believes that costs have more than doubled since the Super Collider was first proposed to Congress in 1987—from \$5.3 billion to more than \$11 billion. Because the project's prime contractor and the Department of Energy (DOE) have been slow to disclose project costs and anticipated cost increases, Congress has not been receiving timely and complete information. The project is now at a crossroads, and key funding decisions must be made. The federal share of the project's cost, now capped at \$5.6 billion, will have to increase. DOE now expects to receive only \$1.4 billion from nonfederal sources—\$400 million from foreign sources and \$1 billion from Texas. As

a result, Congress will have to boost federal funding substantially if the project is to be completed.

Social Services

Child Support Enforcement: States Proceed With Immediate Wage Withholding; More HHS Action Needed

GAO/HRD-93-99, June 15 (24 pages).

Although all states except New York plan to have procedures in place by January for the immediate withholding of noncustodial parents' wages for child support as required by the Family Support Act of 1988, current data are too sparse to indicate how effective the procedures will be in increasing support collections. Most states have made substantial progress in implementing immediate wage withholding for child support orders. Without further direction from the Department of Health and Human Services (HHS), however, many states may fail to designate a public agency to administer immediate wage withholding by the 1994 deadline. Also, states that have not yet implemented immediate wage withholding could benefit from HHS' prompt release of its mandated study of that subject.

Tax Policy and Administration

Tax Administration: Selected IRS Forms, Publications, and Notices Could Be Improved

GAO/GGD-93-72, Apr. 30 (96 pages).

GAO's review of Internal Revenue Service (IRS) forms, publications, and notices did not identify any instances in which the documents failed to conform with current legal requirements or IRS guidance. But several changes could be made to improve the understandability and the usefulness of forms, publications, and notices sent to taxpayers. Generally, these changes involve the use of more-specific language, consistent terminology, and inclusion of references to other forms and publications. The taxpayer assistance telephone numbers found on IRS forms and publications are for offices that should be able to respond to taxpayers' questions. The notices GAO reviewed generally include the telephone number of an IRS service center, a district office, or a toll-free taxpayer call site.

**Tax Administration:
Improved Staffing of IRS' Collection Function Would
Increase Productivity**

GAO/GGD-93-97, May 5 (53 pages).

Although the Internal Revenue Service's (IRS) delinquent taxpayer workload has continued to grow, productivity has varied greatly at the agency's field offices. As a result of IRS' staffing policies and procedures, some collection field offices lack enough staff to pursue the more highly productive cases while other offices have relatively more staff and are investigating cases with less collection potential. The upshot is that IRS has been unable to maximize its collection of delinquent tax debts or effectively stem the growth of its accounts receivable. If IRS continues to use a staff allocation system that does not consider marginal productivity and uses single-year workload estimates, the agency will not know the complete extent of staffing imbalances. Problems will also persist if IRS continues to rely on overall staff growth and attrition as the primary means of eliminating field office staffing imbalances. IRS has several initiatives under way that may reduce the number of invalid accounts in the delinquent taxpayer inventory, redefine the collection function, and distribute collection functions throughout IRS. All these changes will affect collection staffing needs.

**Tax Administration:
New Delinquent Tax Collection Methods for IRS**

GAO/GGD-93-67, May 11 (18 pages).

If the Internal Revenue Service (IRS) is to compete successfully with private collection companies and state governments for payments from debtors, it must adopt more-effective strategies for collecting delinquent taxes. IRS has traditionally followed a lengthy and rigid three-stage collection process beginning with a series of written notices, or bills; followed by telephone calls; and culminating in visits to delinquent taxpayers. Because of legal restrictions, IRS handles all aspects of delinquent tax collections itself and does not evaluate or reward its collection staff on the basis of collection performance. Because of inadequate information, IRS pursues delinquent accounts without knowing whether the amounts recorded in the accounts are valid receivables and with only limited knowledge of the characteristics of delinquent taxpayers. In contrast, many state tax departments and private sector collectors

stress early telephone contact. In addition, private collectors routinely use collection performance statistics in determining pay and bonuses for collectors. These firms are also increasingly using debtor profiles to customize their debt collection procedures. For IRS to be a successful competitor, it will have to adopt more-effective collection strategies and expand its use of cooperative efforts with state governments.

Transportation

Coast Guard: Acquisition Program Staff Were Improperly Funded

GAO/RCED-93-123, Apr. 27 (21 pages).

In its fiscal year 1992 appropriations, the Coast Guard received \$34 million to fund no more than 621 full-time staff positions to support its acquisition, construction, and improvement account. This account generally funds major acquisitions, such as shore facilities, vessels, and aircraft. GAO found that the Coast Guard improperly used its general operating expenses account to support staff doing work on acquisition, construction, and improvement projects. This entailed spending about \$5.3 million to support about 94 full-time positions. This improper use of funds occurred because the Coast Guard lacked adequate policies and procedures to ensure the proper funding of staffing for acquisition, construction, and improvement projects. Coast Guard officials said that they had informal guidelines for deciding when to fund positions through the acquisition, construction, and improvement account but that these guidelines had never been formally spelled out.

Coast Guard: Management of the Research, Development, Test, and Evaluation Program Needs Strengthening

GAO/RCED-93-157, May 25 (18 pages).

The Coast Guard's Research, Development, Test, and Evaluation Program seeks technological advancements that will improve the agency's operations. The program's annual appropriation averaged \$28 million in fiscal years 1992 and 1993. This report raises concerns that the Coast Guard lacks adequate (1) policies and procedures for selecting research, development, test, and evaluation projects and (2) management tools to effectively manage its Research and Development Center.

**Transportation Infrastructure:
Oversight of Rental Rates for Highway Construction Equipment
Is Inadequate**

GAO/RCED-93-86, June 25 (37 pages).

On federally funded highway projects, unanticipated equipment costs can result from work that was unforeseen at the time that a highway construction contract was awarded. Data on the actual equipment costs for such unanticipated work are usually unavailable, so states and contractors often turn to one of several rental rate guides to determine costs. This report examines the equipment rental rates that states use to reimburse contractors for unanticipated work on federally funded highway projects. GAO (1) identifies the basis on which the states establish equipment rental rates, (2) assesses whether the states are setting rental rates that properly approximate the contractors' actual equipment costs, and (3) determines whether the Federal Highway Administration is adequately overseeing the way that states use the guides to establish their rental rates.

Testimony

Airline Competition: Options for Addressing Financial and Competition Problems, by Kenneth M. Mead, Director of Transportation Issues, before the National Commission to Ensure a Strong Competitive Airline Industry. GAO/T-RCED-93-52, June 1 (34 pages); and

Airline Competition: Industry Competitive and Financial Issues, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Economic and Commercial Law, House Committee on the Judiciary. GAO/T-RCED-93-49, June 9 (29 pages).

Although airline industry deregulation has benefited U.S. consumers and made U.S. airlines more efficient competitors, some airlines face serious financial problems and the long-term competitive health of the industry could be at risk. GAO urges the development of a strategy that includes four key elements: (1) improving U.S. airlines' access to capital markets through relaxing the restrictions on foreign investment and control, under certain conditions; (2) enhancing access to the growing international market for all U.S. airlines; (3) reducing barriers to competition; and (4) examining the claims and the counterclaims about airline pricing practices, especially those of bankrupt airlines. Also, a more strategic approach by the Federal Aviation Administration in addressing air traffic

control modernization, airport improvements, and workforce issues could improve the efficiency of airline operations.

FAA Work Forces: Important Decisions Affecting Staff Use and Management, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-93-59, June 30 (15 pages).

The number of Federal Aviation Administration (FAA) staff is unlikely to increase during the next several years. If the current level remains unchanged, today's challenges will take on added importance once the economy improves and the volume of air traffic increases. FAA faces a number of staffing problems, including incorrect staffing standards, imbalances of staffing at facilities, lack of follow-through on prior safety commitments, lack of systems for targeting resources to areas that pose the greatest safety risks, and inadequate training of certification staff. FAA also faces challenges in training its security staff and effectively communicating security information from headquarters to the field. Although FAA is trying to upgrade its aircraft certification training program, GAO believes that having specific annual requirements would help ensure that staff received adequate training to effectively certify aircraft.

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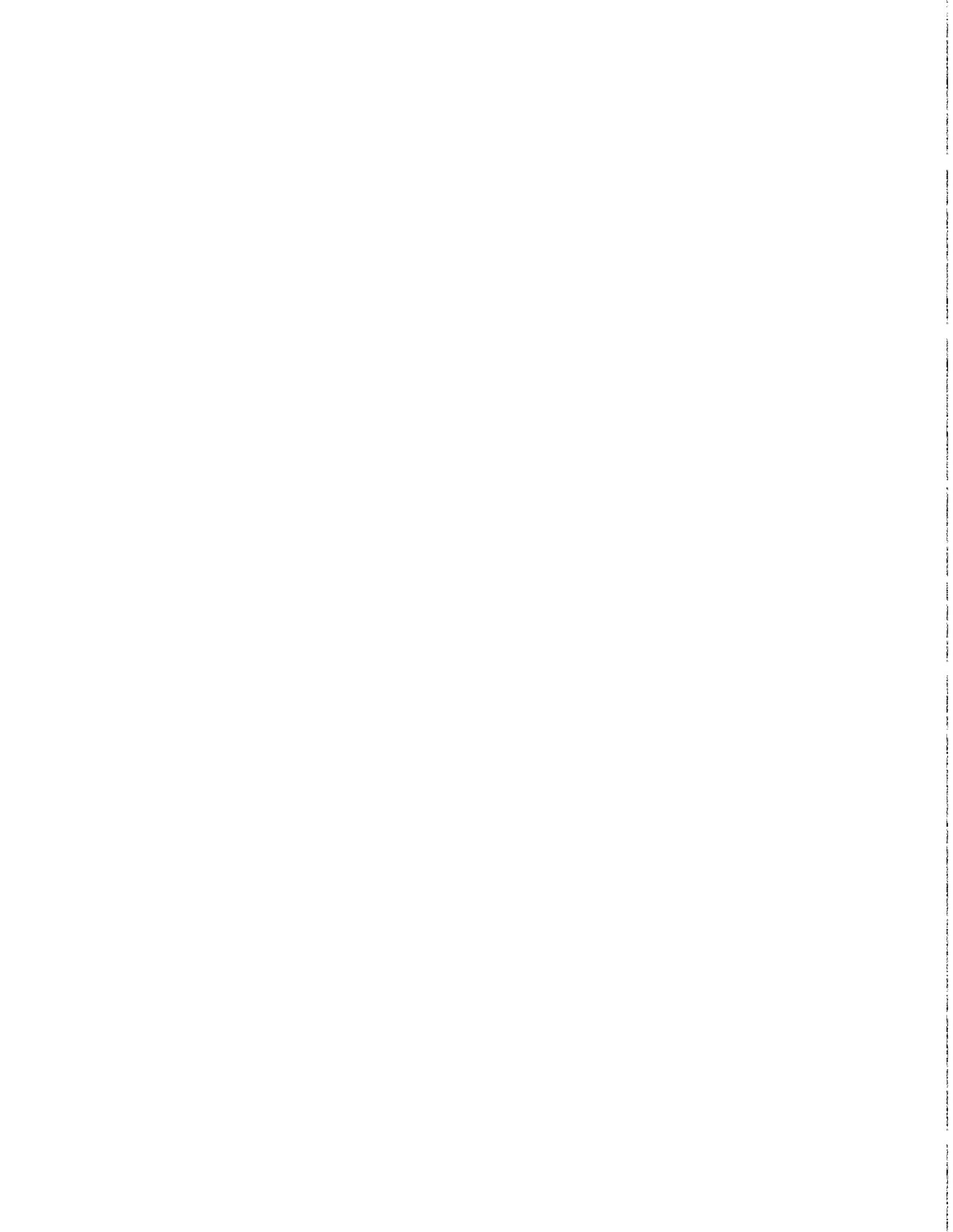
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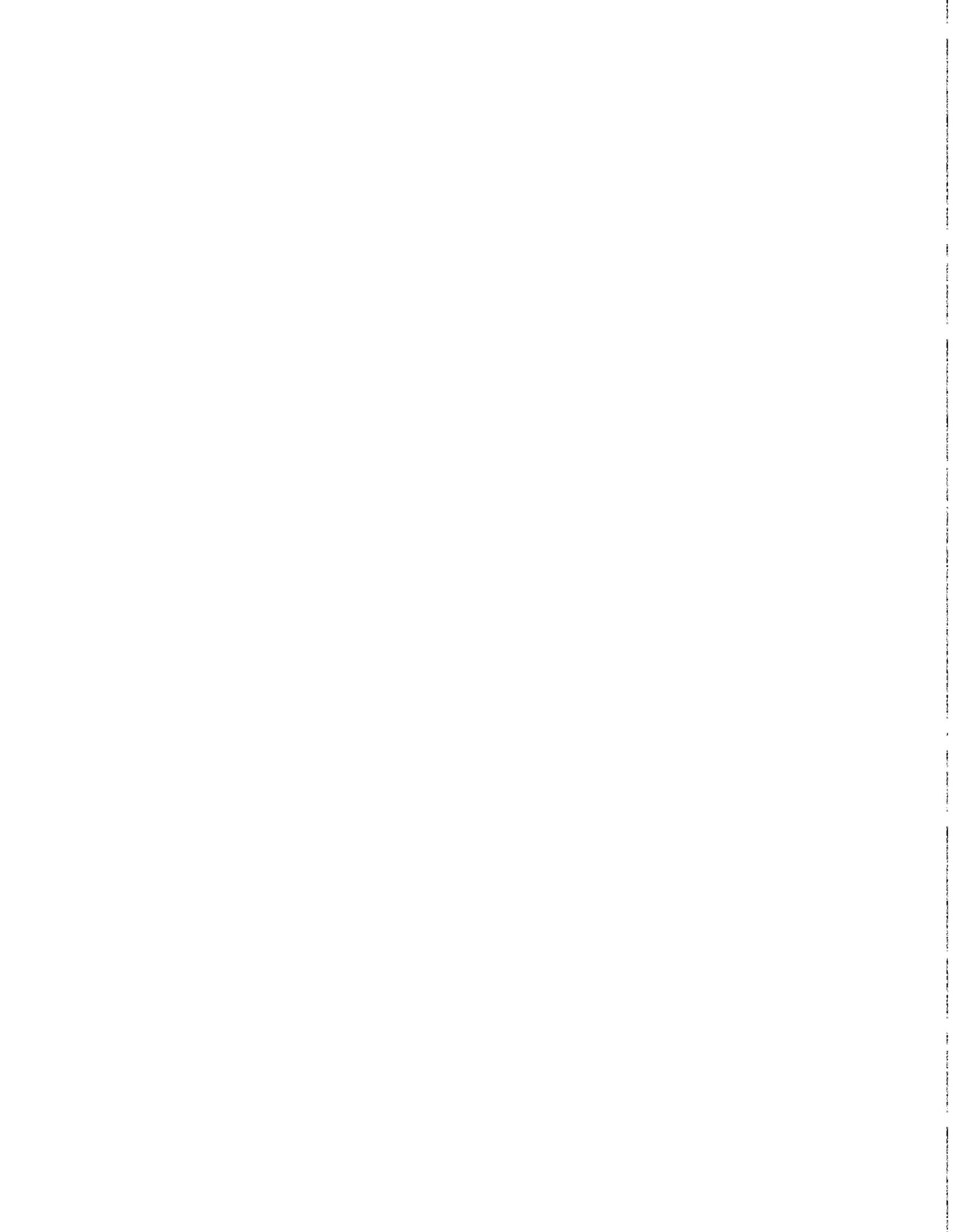
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