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# Reports and Testimony: July 1993

## Highlights

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### Retiree Health Plans

*Retiree health benefits are not secure under the present employer-based system because under certain circumstances, they can be changed at the will of employers; retirees under 65 who do not qualify for Medicare are particularly vulnerable. Page 22.*

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### Women in the Military

*Military personnel of both sexes report that "cohesion"—teamwork and working together—was very good during their deployment in mixed-gender units in the Persian Gulf War and that it was often better than cohesion at their home stations. Page 29.*

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### Poor Preschool-Aged Children

*The increase in the number, the diversity, and the needs of disadvantaged preschool-aged children poses potential obstacles to achieving the first National Education Goal that all children be ready for school by the year 2000. Page 6.*

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# Reports and Testimony: July 1993

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## Agriculture and Food

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### Testimony

Food Assistance: School Milk Contract Bid-Rigging, by Robert A. Robinson, Associate Director for Food and Agriculture Issues, before the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor. GAO/T-RCED-93-63, July 21 (eight pages).

Although GAO notes much good news in the enforcement of federal milk bid-rigging laws, more work needs to be done. On the plus side, the Justice Department continues to aggressively investigate milk bid-rigging cases and has taken legal action against a number of violators. The Agriculture (USDA) and Justice Departments agree that more systematic sharing of information on bid-rigging is warranted and are trying to improve communication between the two agencies. In addition, USDA is expanding its training in detecting bid-rigging to other areas of the country. On the down side, USDA seems hesitant to suspend or disbar dairy companies and individuals found guilty of bid-rigging. GAO believes that suspension and disbarment can be effective deterrents to bid-rigging. If USDA fails to exercise these options, however, their effectiveness as deterrents is lost.

Revitalizing USDA: A Challenge for the 21st Century, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-93-62, July 21 (34 pages).

The U.S. Department of Agriculture (USDA) today has a much broader range of missions and programs—from food and agriculture to crosscutting issues like rural development and biotechnology—than it did in the 1930s, when the present organizational structure was put in place. Back then, American agriculture was characterized by the family farm; today, agribusiness is the driving force in a consumer-driven world economy, one in which American agriculture no longer dominates. GAO believes that if USDA is to be revitalized and become a strong leader in the 21st century, wholesale restructuring is in order. This testimony focuses on (1) USDA's need to overcome problems in organizational structure and management systems, (2) recent efforts to streamline USDA, and (3) issues to consider in revitalizing the agency.

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## Budget and Spending

### **Impoundments:**

#### **Release of Budget Authority for SSA Administrative Expenses and the Israeli Relay Station**

GAO/OGC-93-9, July 7 (two pages).

This letter reports on the status of budget authority that the President proposed for rescission in his fifth special impoundment message for fiscal year 1993 but for which Congress never passed a rescission bill. These funds affect administrative expenses at the Social Security Administration and an Israeli relay station. The Office of Management and Budget did not withhold from obligation the budget authority proposed for rescission in the fifth special message. Funds proposed for rescission must be made available for obligation unless Congress acts on rescission bills within 45 days after it has received them. For the rescission proposal submitted in the fifth special message, the 45-day period ended on June 14, 1993, without Congress' having passed such a bill.

### **Impoundments:**

#### **More Documentation Needed to Verify Amounts of Proposed Rescissions of HUD, Justice, and Transportation Budget Authority**

GAO/OGC-93-8, July 19 (three pages).

On June 4, 1993, the President submitted to Congress the sixth special impoundment message for fiscal year 1993. This message proposed six rescissions of budget authority affecting the Departments of Housing and Urban Development, Justice, and Transportation. GAO concludes that the President's justifications for each proposed rescission are accurate. GAO has been told informally that the amounts proposed for rescission are being withheld pending congressional action. GAO has been unable to verify this information, however, because neither the agencies involved nor the Office of Management and Budget could provide any documentation showing amounts of budget authority available or amounts being withheld.

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## Business, Industry, and Consumers

### **Intellectual Property Rights:**

#### **U.S. Companies' Patent Experiences in Japan**

GAO/GGD-93-126, July 12 (96 pages).

More than three times as many of the U.S. companies responding to a GAO survey were dissatisfied with their overall patent experiences in Japan as compared with those in the United States and Europe; among the most frequently cited problems in obtaining Japanese patents were the long delays, the costs, and the narrow scope of patent protection granted. Other problems, however, were U.S. firms' lack of understanding of the Japanese patent system, translation difficulties, and poor communication between U.S. companies and their Japanese patent representatives. Currently, multilateral efforts are under way to harmonize international patent procedures through the World Intellectual Property Organization, a United Nations agency. The proposed harmonization changes address many concerns raised by U.S. companies about patent protection in Japan. GAO summarized this report in testimony before Congress; see:

Intellectual Property Rights: U.S. Companies' Comparative Patent Experiences in Japan, Europe, and the United States, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on International Trade, Senate Committee on Finance. GAO/T-GGD-93-36, July 22 (30 pages).

**Federal Trade Commission:  
Enforcement of the Trade Regulation Rule on Franchising**

GAO/HRD-93-83, July 13 (30 pages).

The Federal Trade Commission (FTC) requires franchisers to give prospective franchise purchasers financial details about the business and explain the arrangements in the franchise agreement. FTC enforces the franchise rule as part of its consumer protection mission. This report provides the following information about FTC's franchise rule: (1) the number of franchise rule investigations and court cases started during fiscal years 1989-92; (2) enforcement problems, such as case-processing delays, at FTC headquarters or regional offices; (3) FTC's effectiveness in working with states to enforce franchise rules and laws; and (4) possible revisions to regulating franchises, such as those contained in legislation proposed during the 102nd Congress. GAO also discusses the outcomes of investigated and litigated complaints, the types of complaints filed, the kinds of franchisers taken to court, and enforcement activities in FTC's Atlanta Regional Office.

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## Civil Rights

### **Federal Employment: Inquiry Into Sexual Harassment Issues at Selected VA Medical Centers**

GAO/GGD-93-119, June 30 (22 pages).

According to records at the Department of Veterans Affairs' (VA) Office of Equal Employment Opportunity, complaints about sexual harassment were filed at 109 of 171 VA medical centers during fiscal year 1992. The number of reported complaints, however, may be a poor indicator of the extent of sexual harassment at a particular facility. At the Atlanta Medical Center, for example, no complaints were made, but the facility was later found to have serious sexual harassment problems. The allegations at the 12 VA medical centers GAO visited involved a host of behaviors, including sexual innuendos, pressure for dates, touching, and pressure for sex. Although the total number of complaints and allegations of sexual harassment was small when compared with the overall number of VA employees, sexual harassment appeared to be more likely at some centers than at others. Also, alleged incidents of sexual harassments are underreported under VA's current system. The new Secretary of Veterans Affairs has issued several communications to employees and managers underscoring his commitment to "zero tolerance" for sexual harassment. He said that there must be no reprisals against employees who make sexual harassment and other equal employment opportunity complaints and that agencywide training on sexual harassment would be mandatory.

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## Testimony

EEOC: An Overview, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Select Education and Civil Rights, House Committee on Education and Labor. GAO/T-HRD-93-30, July 27 (16 pages).

The Equal Employment Opportunity Commission (EEOC) upholds a basic right of Americans: the right to equal employment opportunity regardless of race, color, religion, national origin, age, or disability. EEOC's world has changed drastically since the Commission was established in 1964, and questions have arisen about how well EEOC does its job. With substantial staff increases unlikely, will EEOC be able to respond effectively to the demands of its new environment—one characterized by increasing responsibility and workloads? In these times of shrinking resources, government agencies are rethinking their roles and how they do business. EEOC may also need to change. This testimony (1) briefly describes how

EEOC operates, (2) discusses its increasing responsibility and workload, and (3) examines concerns about its operations.

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## Economic Development

### **Disaster Management: Improving the Nation's Response to Catastrophic Disasters**

GAO/RCED-93-186, July 23 (18 pages).

The nation's management of disasters was strongly criticized after Hurricane Andrew leveled much of South Florida and Hurricane Iniki devastated the Hawaiian island of Kauai in 1992. Even before these storms, the federal government's response to major disasters like Hurricane Hugo and the Loma Prieta earthquake drew intense criticism. The government's response to Hurricane Andrew, in particular, raised doubts about whether the Federal Emergency Management Agency was capable of responding to such catastrophes and whether it had learned any lessons from Hurricane Hugo and the Loma Prieta earthquake. GAO has testified repeatedly in 1993 on the inadequacy of the federal strategy for responding to disasters. This report summarizes GAO's analyses, conclusions, and recommendations.

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## Education

### **Poor Preschool-Aged Children: Numbers Increase but Most Not in Preschool**

GAO/HRD-93-111BR, July 21 (80 pages).

The rise in the number, the diversity, and the needs of disadvantaged preschool-aged children poses a serious challenge to the National Education Goal of readying all children for school by the year 2000. During the 1980s, the number of children who were most likely to face difficulties upon entering school and who would have benefited from preschool programs—poor and at-risk children—increased substantially. Further, the poverty rates for preschool-aged children have increased since the decennial census. Head Start and other preschool programs are now faced with a target population of more poor and at-risk children. Poor children are also more likely than non-poor children to be in at-risk categories. To succeed in school, these children often need special help that may or may not be available, such as language or family support services. In 1990, about one-third of poor preschool-aged children participated in preschool. Only about 35 percent of all poor three- and four-year-olds participated in preschool compared with more than 60 percent of the highest income

three- and four-year-olds. Preschool participation rates for poor three- and four-year-olds were consistently low; participation by poor preschool-aged children in rural areas was even rarer.

**Vocational Education:  
Status in School Year 1990-91 and Early Signs of Change at  
Secondary Level**

GAO/HRD-93-71, July 13 (88 pages).

The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 seek to improve the overall quality of vocational education and ensure that all students, including targeted groups, such as the disabled, have access to vocational education programs. Although the Perkins Act provides only about 10 percent of vocational education funding nationwide, many vocational education experts view it as a driving force in setting national vocational education priorities. The law requires GAO to undertake two four-year studies—one of secondary schools and one of postsecondary schools—to identify changes that have taken place in vocational education programs since the amendments took effect. The reporting deadline is July 1995. This interim report provides preliminary information on (1) the status of vocational programs in secondary schools in school year 1990-91 and (2) changes reported in school year 1991-92.

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## Energy

**Natural Gas:  
FERC's Compliance and Enforcement Programs Could Be  
Further Enhanced**

GAO/RCED-93-122, May 27 (48 pages).

The natural gas industry, despite increasing competition, retains many characteristics of a monopoly. To protect the public interest, the Federal Energy Regulatory Commission (FERC) regulates the sale and the transportation of natural gas and the construction of pipeline facilities. FERC has tried to stop pipeline companies from engaging in potentially discriminatory practices that favor their own unregulated subsidiaries, but FERC's efforts could be even more effective. For example, FERC needs to aggressively enforce pipeline bulletin board and other reporting requirements used to detect and deter discriminatory practices. FERC also needs to target audits of pipeline companies on the basis of information suggesting that discriminatory practices may exist. FERC recently tried to

beef up its enforcement of environmental regulations by hiring more inspection staff and by better informing its inspection staff and the industry of FERC's environmental requirements. GAO suggests that FERC (1) require companies to give FERC advance notice of construction scheduled for environmentally sensitive areas, (2) require companies to submit periodic environmental compliance reports for all major construction projects requiring environmental mitigation measures, and (3) formally seek civil penalty authority from Congress to enforce FERC's requirements for projects approved under the Natural Gas Act.

**Nuclear Nonproliferation:  
Japan's Shipment of Plutonium Raises Concerns  
About Reprocessing**

GAO/RCED-93-154, June 14 (20 pages).

In January 1993, the Japanese ship *Akatsuki Maru*, along with an armed escort vessel, completed a two-month voyage during which it transported 1.7 tons of plutonium oxide from France to Japan. Although the plutonium had been reprocessed at a French facility, it was originally obtained from the United States in the form of spent nuclear fuel. The Japanese sought the plutonium to generate commercial nuclear power. Under a 1988 agreement between Japan and the United States, Japan is required to ensure the physical security and safety of such shipments. This report discusses the physical security and safety of the *Akatsuki Maru* shipment, as well as any costs to the United States arising from it. In addition, the report discusses broader issues raised by the shipment, including concerns about reprocessing and the resulting growth in world plutonium stocks. Finally, the report discusses the implications of the 1988 agreement for future U.S. nuclear agreements.

**Department of Energy:  
Cleaning Up Inactive Facilities Will Be Difficult**

GAO/RCED-93-149, June 25 (18 pages).

Changing defense requirements and tightening domestic budgets are forcing the Department of Energy (DOE) to redefine its missions and to reexamine the need for many of its inactive facilities. Cleaning up these inactive facilities can be a lengthy process, involving everything from preliminary assessments of the type and the amount of contamination in floors, walls, and ceilings to the actual removal of nuclear and hazardous

materials. GAO found that DOE is in only the preliminary stages of cleaning up inactive facilities. DOE does not know the number of its facilities that are inactive but not yet transferred to its Office of Environmental Restoration and Waste Management, the full extent of the dangers they pose, or the cost of improving their safety until they can be decontaminated and decommissioned. DOE also lacks an accurate idea of the number of facilities it will close during the next 30 years because of changes in its missions, nor does it know how cleaning up these additional facilities could affect the program's total cost. GAO believes that given that DOE might close up to 7,000 facilities, as well as the program's potential cost, having a single office manage all work at inactive facilities may be a more effective approach to coordinating cleanups.

## Testimony

Nuclear Waste: Yucca Mountain Project Management and Funding Issues, by Jim Wells, Associate Director for Energy and Science Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce, and before the Subcommittee on Energy and Mineral Resources, House Committee on Natural Resources. GAO/T-RCED-93-58, July 1 (15 pages).

The Department of Energy (DOE) has given low priority to scientifically assessing Yucca Mountain, Nevada, as a possible disposal site for highly radioactive waste, requesting only about half of the funds needed to complete its investigation on schedule. If DOE continues to request and allot limited funds for the investigation, this effort could take at least five to 13 years longer than planned and could boost the disposal program's total cost. To streamline the project, DOE has compressed the time permitted for various scientific studies and is considering similar measures to reduce costs. These actions increase the risk that the site investigations will be inadequate. Moreover, they come at a time when unanticipated technical issues have emerged that could lengthen the investigation. DOE wants to establish a revolving fund to ensure that adequate funds are made available to the disposal program—a move that has implications for the federal deficit, congressional oversight, and the program's long-term financial health.

## Environmental Protection

### **Environmental Liability: Property and Casualty Insurer Disclosure of Environmental Liabilities**

GAO/RCED-93-108, June 2 (12 pages).

The tab for hazardous waste cleanup in the United States may total hundreds of billions of dollars during the next several decades. Insurance company representatives have testified repeatedly before Congress that the industry's solvency could be threatened if insurance companies are forced to pay for these cleanups. Faced with mounting numbers of environmental claims and inconsistent state court decisions, property and casualty insurance companies have been in litigation over their liability for cleanup costs and their policyholders' legal expenses. The Securities and Exchange Commission (SEC) requires companies to disclose environmental liabilities when such information would be crucial to an investor's decision to buy or sell securities or how to vote. Only two of the 16 largest property and casualty companies in 1990 and three in 1992 disclosed dollar amounts related to environmental claims in their annual reports. But five in 1990 and eight in 1991 said that they were involved in litigation over environmental claims. In addition, when requested by SEC, five companies in each year disclosed environmental claims costs and expenses; none of the companies revealed costs that they indicated were material to their financial condition.

### **Radioactive Waste: EPA Standards Delayed by Low Priority and Coordination Problems**

GAO/RCED-93-126, June 3 (48 pages).

The management and the disposal of radioactive waste have long been of national concern, but without congressional or judicial mandates, the Environmental Protection Agency (EPA) is unlikely to issue radiation protection standards in a timely fashion, which could harm the cleanup of contaminated facilities and radioactive waste disposal. Efforts to promulgate radiation protection standards have been delayed, in part, because EPA perceives radiation protection as less important than other agency activities and has, therefore, allocated limited resources to this effort. EPA has also experienced delays in developing proposed standards because of disputes with the Department of Energy (DOE), the Nuclear Regulatory Commission (NRC), and the Office of Management and Budget (OMB). Although EPA has tried to strengthen coordination with DOE and NRC,

OMB has raised additional concerns about standards submitted for its review. OMB's concerns are largely responsible for delaying the issuance of groundwater protection standards for inactive uranium-processing sites. For more than three years, EPA has been unable to resolve these concerns, and the two parties still fundamentally disagree about whether contaminated groundwater not now being used should be cleaned up.

**Air Pollution:  
State Planning Requirements Will Continue to Challenge EPA and  
the States**

GAO/RCED-93-113, June 11 (31 pages).

Although the United States has significantly improved its air quality since the late 1970s, urban smog, carbon monoxide, and particulate matter continue to threaten both the environment and the health of millions of Americans. The Clean Air Act Amendments of 1990 require the states to significantly revise their state implementation plans, the key documents spelling out their strategies and schedules for improving air quality. The legislation also sets deadlines for the states' submission and the Environmental Protection Agency's (EPA) approval of these revisions. This report examines whether the states are submitting their plans on schedule and whether EPA is promptly reviewing and approving them. GAO also examines whether processing of the plans could be improved by the amendments' title V provisions on operating permits for pollution sources. Title V allows the states to switch some requirements pertaining to individual pollution sources from the plans to the permits.

**Pesticides:  
Issues Concerning Pesticides Used in the Great Lakes Watershed**

GAO/RCED-93-128, June 14 (39 pages).

The federal government and private organizations collect information on the amount of pesticides used in the United States, but no data systems exist that track pesticide usage in the United States. GAO estimates that each year at least 56 million pounds of pesticides from U.S. and Canadian sources end up in the Great Lakes watershed, including about 46 million pounds used on crops, eight million pounds used on lawns, and more than two million pounds used on golf courses. Pesticides that are repeatedly applied during the year on fruits and vegetables enter the Great Lakes and stay there, becoming more concentrated with time. The long retention

time allows some pesticides to settle in lake-bottom sediments and become absorbed into the food chain. High levels of banned pesticides are still showing up in fish tissue. Preliminary findings by the Environmental Protection Agency (EPA) show that the effects of nine herbicides in current use may be more long lasting than once thought. EPA needs to complete its water quality monitoring program and use this up-to-date data in its reregistration program, which requires these pesticides to be reevaluated for their health and environmental effects. Data also indicate that millions of pounds of unusable pesticides being stored on farms present a disposal problem for the Great Lakes region. EPA has begun a program in the area to dispose of some of these pesticides, but large quantities remain, including banned, spoiled, and unneeded materials.

## Financial Institutions

### **Thrift Failures:**

#### **Actions Needed to Stabilize RTC's Professional Liability Program**

GAO/GGD-93-105, June 28 (29 pages).

During the past year, the Resolution Trust Corporation's (RTC) professional liability program has been embroiled in controversy over its pursuit of civil claims against professionals responsible for losses at failed thrifts. Although GAO found no indication that RTC management sought to undermine the professional liability work, some risk exists that either inadequate staffing or staff inexperience at the agency could jeopardize the development of future claims. It is essential that top RTC management restore some sense of stability to the professional liability staff and continue its efforts to increase the professional liability staff to its authorized strength. Because RTC is a temporary agency, hiring and retaining attorneys in the professional liability program will be difficult. Under current law, however, the Federal Deposit Insurance Corporation (FDIC) will assume some responsibility for the professional liability program when RTC is dissolved. Therefore, RTC and FDIC need to work together to explore ways to ensure that RTC maintains a viable professional liability program and that the transfer to FDIC is smooth.

### **Government National Mortgage Association:**

#### **Greater Staffing Flexibility Needed to Improve Management**

GAO/RCED-93-100, June 30 (16 pages).

In recent years, downturns in the real estate markets and allegations of mismanagement and fraud have prompted increased scrutiny of several federal loan guaranty programs. Some of these programs have run up huge losses, such as the \$2.5 billion loss posted by the Federal Housing Administration (FHA) in fiscal year 1991. The federal government ended up having to pay the lenders for losses on the defaulted mortgages insured by FHA. This report focuses on the Government National Mortgage Association's (GNMA) ability to oversee its approved mortgage originators, or issuers, and the \$426 billion worth of mortgage-backed securities outstanding as of September 1992. The federal government will have to pick up the tab should the GNMA issuers default. GAO (1) provides information on how GNMA has changed to accomplish its mission, (2) identifies recent management problems experienced by GNMA in overseeing its issuers, and (3) examines GNMA's efforts to solve its management problems.

**Resolution Trust Corporation:  
1992 Washington/Baltimore Auctions Planned and Managed Poorly**

GAO/GGD-93-115, July 7 (24 pages).

At Washington/Baltimore real estate auctions held in April and May 1992, the Resolution Trust Corporation (RTC) sold 101 assets with a book value of nearly \$44 million and realized net proceeds of about \$19 million; settlement on six assets was still pending about seven months after the auctions. To maximize its recoveries, RTC could have better planned and managed these auctions. RTC should have provided more complete and accurate asset information, allowed potential buyers more time to conduct due diligence, and better prepared the assets for sale. Because of these shortcomings, closings were delayed, contracts canceled, and recoveries reduced. GAO's analysis of these sales shows different results from what RTC reported to Congress—RTC's report did not include net recoveries, though required by law. Instead, RTC reported only gross sales proceeds. Further, RTC underreported the book value of assets sold at these auctions because it did not include all the assets offered in the auctions and did not amend the data.

**Resolution Trust Corporation:  
Better Assurance Needed That Contractors Meet Fitness and  
Integrity Standards**

GAO/GGD-93-127, July 26 (20 pages).

As of the start of 1993, the Resolution Trust Corporation (RTC) had awarded more than 105,000 business contracts with estimated fees of \$3 billion and paid another \$818 million for help with nearly 80,000 legal matters. RTC relies mainly upon contractor self-certifications that they meet fitness and integrity requirements. Without accurate information and a concerted effort to track contracts or contractors that warrant background checks, however, RTC cannot be sure that it will spot contractors that fall short of its fitness and integrity standards. Moreover, no background checks are required for legal contractors. RTC's responsibility to ensure that business and legal contractors meet fitness and integrity standards does not end when a contract is awarded. RTC plans to beef up oversight of its contractors' compliance with fitness and integrity requirements, including compliance with waiver requirements, such as screens. These actions should strengthen oversight efforts and provide RTC with greater assurance that contractors are complying with the terms of their contracts.

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## Financial Management

### **Financial Management: Federal Departments and Agencies With Unvouchered Expenditures**

GAO/AFMD-93-73FS, June 3 (23 pages).

This report provides information on unvouchered expenditures for fiscal years 1989-91. GAO judgmentally selected 74 federal departments and agencies, including all cabinet-level agencies, and requested and obtained from them responses on unvouchered expenditures. Seventeen departments and agencies reported unvouchered expenditures for this period, including 10 that had at least one audit of unvouchered expenditures since 1986. This report includes detailed information on the (1) expenditures for each of the three years and (2) audits of unvouchered expenditures since 1986.

### **Financial Audit: Examination of IRS' Fiscal Year 1992 Financial Statements**

GAO/AIMD-93-2, June 30 (80 pages).

The Internal Revenue Service (IRS), the federal government's largest revenue collector, with tax collections of \$1.1 trillion for fiscal year 1992, has historically filed unaudited financial information with the Treasury

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Department. This year, however, IRS prepared for the first time a comprehensive set of principal financial statements. After auditing IRS' principal financial statements for fiscal year 1992, GAO cannot express an opinion on their reliability because critical supporting information was unavailable and information that was available was generally unreliable. In addition, IRS' internal controls did not effectively safeguard assets, provide a reasonable basis for determining material compliance with laws and regulations, or eliminate material misstatements from the principal financial statements.

**Financial Audit:  
Examination of Customs' Fiscal Year 1992 Financial Statements**

GAO/AIMD-93-3, June 30 (87 pages).

This report presents GAO's audit of the principal financial statements of the U.S. Customs Service for fiscal year 1992. GAO was unable to express an opinion on their reliability because of the lack of reliable financial information, inadequate financial systems and processes, and Customs' ineffective internal control structure. In addition, GAO found that Customs' internal controls did not effectively safeguard assets, provide a reasonable basis for determining material compliance with laws and regulations, or ensure that no material misstatements appeared in the principal financial statements. But GAO was unable to test all significant controls due to limited supporting information.

**Financial Audit:  
Resolution Trust Corporation's 1992 and 1991 Financial Statements**

GAO/AIMD-93-6, June 30 (32 pages).

GAO audited the financial statements of the Resolution Trust Corporation (RTC) for 1992 and 1991. In GAO's opinion, the financial statements present fairly RTC's financial position, the results of its operations and accumulated deficit, and its cash flows. GAO believes that RTC's internal controls provide reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authority and with laws and regulations. Due to a material weakness in its loss calculation procedures, however, RTC did not always properly record, process, and summarize transactions for its financial statements and other financial reports. RTC's financial statements no longer include any

unallocated reserves to cover unanticipated future losses or estimation errors; instead, reserve and loss accounts have been adjusted to reflect the best current estimates of probable future losses. The unallocated reserves were generated during 1992 and 1991 because actual recoveries from asset sales exceeded projections. In April 1993, RTC's oversight board released \$3 billion of these funds to resolve institutions in conservatorship. Eliminating the remaining reserves could release another \$1.9 billion for future resolution actions and could decrease RTC's estimate of its future funding needs from \$17 billion to \$12 billion. Because of the uncertainties surrounding the loss estimates, however, RTC may opt to restrict the use of some portion of the released reserves.

**Financial Audit:  
Senate Restaurants Revolving Fund for Fiscal Years 1991 and 1990**

GAO/AIMD-93-9, July 22 (14 pages).

GAO audited the balance sheets of the U.S. Senate Restaurants Revolving Fund for fiscal years 1991 and 1990 and found that they presented reliably the fund's assets, liabilities, and government equity; results of operations; and cash flows. GAO found no material weaknesses in the internal control structure and no material noncompliance with laws and regulations. GAO does note the fund has incurred operating losses since 1987. These losses topped \$400,000 in fiscal year 1991. Since 1989, the fund has relied on supplemental funding from the Senate in the form of loans and capital transfers to offset its losses and continue to make vendor payments. If current operational trends continue, the fund will require supplemental funding for future operations.

**Financial Audit:  
Environmental and Energy Study Conference Financial Statements  
for 1990 and 1989**

GAO/AIMD-93-10, July 27 (13 pages).

The Environmental and Energy Study Conference is a legislative service organization sponsored by a group of Senators and Representatives who pool their resources to pursue common legislative goals. The Conference supplies its congressional sponsors with information on environmental, energy, and natural resources issues affecting federal legislation. GAO audited the Conference's financial statements for 1990 and 1989 and found them to be reliable in all material respects. Further, GAO found that there

were no material weaknesses in the internal control structure and its operation for 1990 and that there was no material noncompliance with laws and regulations.

## Testimony

**Financial Management: DOD Has Not Responded Effectively to Serious, Long-standing Problems**, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AIMD-93-1, July 1 (16 pages).

This testimony, drawing on GAO's second comprehensive evaluation of the Army's financial operations as well as related GAO work, calls into question the adequacy of the Pentagon's internal controls to safeguard military resources from waste, fraud, abuse, and mismanagement. According to the Comptroller General, deep-rooted weaknesses in the Defense Department's (DOD) fundamental controls have led to millions of dollars in losses and inefficiencies. For example, an Air Force accountant was recently convicted of illegally diverting about \$2 million in Air Force funds during a three-year period to his personal bank accounts, and a clerk at an Army finance and accounting office siphoned off more than \$31,000 by falsifying documents and creating a "ghost" soldier in the payroll system. Similarly, internal controls at four Army depots GAO visited fell short in protecting millions of dollars in weapons and equipment during the maintenance process. Because many repairables were stored, often for years, without adequate protection, they were highly vulnerable to corrosion and rust, which greatly increased scrappage rates and maintenance costs. Finally, the information needed to assess whether funds were being correctly disbursed was unreliable. GAO discovered billions of dollars in unmatched disbursements, missing records needed to verify how individual disbursements were reflected in summary disbursement totals, and unacceptably high rates of changes from one appropriation to another when disbursements were initially and finally accounted for.

## Government Operations

### **Priority Mail: Advertised 2-Day Service Is Not Guaranteed**

GAO/GGD-93-122, July 16 (seven pages).

Postal Service advertisements on television and elsewhere suggest that Priority Mail will be delivered anywhere in the continental United States

within two days. Although not mentioned in the ads, the Postal Service makes no guarantee that delivery will actually meet that deadline. The Service's second quarter fiscal year 1993 Priority Mail processing data show that Priority Mail was processed and available for delivery within two days about 77 percent of the time, on average. Postal Service data on actual total delivery time for Priority Mail are unavailable. The Postal Service has studied the matter and has decided to change its advertising and take steps to improve Priority Mail delivery service.

**Postal Service:  
1992 Olympic Sponsorship—Profit or Loss Is Unknown**

GAO/GGD-93-89, July 23 (27 pages).

In sponsoring the 1992 Olympic Games, the U.S. Postal Service made a concerted effort to track Olympic revenue and costs. Olympic sponsorship activities were so intertwined and overlapped with other Postal Service operations, however, that GAO could not verify the accuracy of key revenues and costs attributed to the sponsorship. Because certain amounts could not be measured precisely, Postal Service officials and the Postal Inspection Service could not agree on the bottom line. Whether Olympic advertising generated \$43.2 million in expedited mail revenue is unknown because there is no generally accepted way to measure the specific effect of advertising on sales revenue. The Postal Service claimed \$73.8 million in Olympic stamp revenue from 10 issues sold from 1990 through 1992 that contained the Olympic rings in their design. Not all of this revenue, however, should be attributed to the sponsorship. At least three of the stamps would have been issued anyway without rings, and the value added by the rings is unknown. Two others commemorated the winter and summer games, traditional stamp issues that in the past have had no connection to sponsorship. The Postal Service decided not to charge significant Olympic advertising costs to the sponsorship program. Funds in other advertising budgets that were established or planned when the sponsorship was approved were later used for Olympic advertising but not charged to the program on the basis that this money would have been spent on advertising anyway. Because the amounts at issue are unknown, GAO could not determine whether the Olympic sponsorship produced a profit or loss.

**Testimony**

**Federal Real Property: Key Acquisition and Management Obstacles, by  
J. William Gadsby, Director of Government Business Operations Issues,**

before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-GGD-93-42, July 27 (15 pages).

With an enormous real estate portfolio of almost 450,000 buildings, 3 billion square feet of space, and 650 million acres of land worth hundreds of billion of dollars, the U.S. government is one of the world's largest property owners. GAO testified that five key obstacles inhibit the government's ability to acquire and manage real property in a more cost-effective, businesslike manner. These are (1) the General Service Administration's (GSA) monopoly in providing office space and its preoccupation with day-to-day real property operations, (2) a lack of strategic focus and needed information for capital spending decisions, (3) poor asset management practices, (4) Federal Buildings Fund shortfalls, and (5) budget scorekeeping rules that are biased in favor of operating leases over real property ownership. GAO senses that the new leadership team at GSA is open to fresh thinking about these issues and that broader Congressional interest exists in public buildings issues. GAO is hopeful that these developments could produce a fundamental reassessment of public buildings policy.

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## Health

### **Medicare Physician Payment: Geographic Adjusters Appropriate but Could Be Improved With New Data**

GAO/HRD-93-93, July 20 (16 pages).

In January 1991, Medicare began using a new way to determine the amounts it will pay for physician services. Rather than basing payment on what doctors charge for services, Medicare now uses a fee schedule that incorporates a resource-based relative value scale. Under this new schedule, each service receives a value reflecting the work and other resources needed to furnish it. Geographic differences, such as staff salaries and office rents, are factored into the values. Some doctors, particularly those in areas with a high cost of living, have complained that the values do not reflect actual cost differences. GAO concludes that the Health Care Financing Administration's (HCFA) choices of data and methodology for developing the geographic adjusters were reasonable. Except for expanded malpractice data, however, HCFA had not planned to use different data sources to update the geographic adjusters for 1995. Internal Revenue Service (IRS) data may be useful in updating the

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geographic adjusters. HCFA is working with IRS to assess the feasibility of using IRS data in updating the practice-expenses adjuster. Because HCFA will need only summary data, taxpayer privacy concerns do not appear to be an issue.

**Medicare:  
Separate Payment for Fitting Braces and Artificial Limbs Is  
Not Needed**

GAO/HRD-93-98, July 21 (26 pages).

Medicare pays for braces and artificial limbs when beneficiaries need them due to injury or illness. Beginning in 1989, a fee schedule replaced the reasonable charge system as a way of paying for these items. GAO believes that because the fee schedule for braces and artificial limbs covers the costs of the devices as well as related professional services, there is no need to establish separate fees for orthotic and prosthetic practitioners. Also, contrary to industry concerns, physician charges had little effect on Medicare's initial fee schedule payment rates. GAO identified 42 items paid for under the orthotic and prosthetic fee schedule that did not require professional fabrication or fitting services. These items, including sterile saline solutions, ostomy supplies, and off-the-shelf braces, could be moved to a more suitable fee schedule category, saving an estimated \$12 million annually. GAO also found considerable variation in coverage criteria for braces and artificial limbs among Medicare's claims-processing contractors. This variation could result in payments for the same item being authorized in some areas and denied in others. Recent steps taken by Medicare should remedy this problem.

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## Housing

**Public Housing:  
Low-Income Housing Tax Credit as an Alternative Development  
Method**

GAO/RCED-93-31, July 16 (48 pages).

Under the National Affordable Housing Act of 1990, GAO is required to review different ways of developing public housing units. This report compares the approaches taken by public housing authorities in developing housing under the Public Housing Development Program and the Low-Income Housing Tax Credit Program. The former provides direct federal grants, while the latter allows public housing authorities to raise

development funds by forming public-private partnerships with investors. The public housing authorities GAO reviewed used the tax credit program to serve kinds of tenants and to develop kinds of programs that differed from those in the public housing program. For example, the tax credit projects served smaller households and were more likely to be located in predominantly low-income households than were the public housing projects. Furthermore, if the cost inefficiencies suggested by GAO's case study in Montgomery County, Maryland, exist in other tax credit projects, the federal government may find the tax credit program to be the more costly alternative for helping very poor households. Nevertheless, the public housing authorities GAO reviewed found the tax credit program a valuable resource for developing public housing in this period of shrinking federal budgets.

## Testimony

Homeownership: Actuarial Soundness of FHA's Single-Family Mortgage Insurance Program, by Jacquelyn L. Williams-Bridgers, Associate Director for Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance, and Urban Affairs. GAO/T-RCED-93-64, July 27 (nine pages).

GAO testified that the Mutual Mortgage Insurance Fund was not actuarially sound as of the end of fiscal year 1991, but that its financial health may have improved in fiscal year 1992. GAO estimates that the fund had an economic net worth of about -\$1.4 billion at the end of fiscal year 1991 and a resulting capital reserve ratio of -0.46 percent of the amortized insurance-in-force, valued at \$302 billion at that time. Even if the Federal Housing Administration (FHA), which runs the fund, were to stop insuring new loans after September 30, 1991, the fund's reserves would not cover the federal government's potential liability over the life of the loans outstanding. The actual economic net worth and capital reserve ratios of the fund—and the validity of GAO's estimates—will depend on a number of future economic factors, including the rate of appreciation in house prices over the life of the FHA mortgages of up to 30 years. This factor is significant because, as house prices rise, borrowers' equity increases and the probability of defaults and foreclosures drops. If house prices increase more or less rapidly than GAO assumed, the fund's economic net worth will be higher or lower than GAO anticipated.

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## Income Security

### **Retiree Health Plans: Health Benefits Not Secure Under Employer-Based System**

GAO/HRD-93-125, July 9 (22 pages).

Retiree health benefits under an employer-based health care system are not secure because employers can change both their employee and retiree health benefit plans at will. In response to rapidly rising health benefit costs, employers have generally tried to shift costs to participants. Only a small percentage of employers surveyed in studies GAO reviewed had actually eliminated medical services for retirees, but at least four employers had announced plans to do so. The new accounting standard (FAS 106), which highlights the magnitude of the liabilities, has also spurred changes to retiree health benefit plans. Many companies claim that they have modified retiree health benefits because FAS 106 reduces reported income and shareholder equity. The Employee Retirement Income Security Act of 1974 authorizes the federal government to regulate retiree health benefits. Recent court decisions have allowed employers to modify or terminate health benefits for current and future retirees if they reserved the right to do so in benefit plan documents or collectively bargained agreements.

### **Social Security Disability: SSA Needs to Improve Continuing Disability Review Program**

GAO/HRD-93-109, July 8 (11 pages).

The Social Security Administration has not met the legal requirements for conducting continuing disability reviews, which ensure that individuals receiving government disability benefits are eligible for them. Significant operational problems due to unprecedented increases in initial claims for social security benefits have prompted SSA to shift resources from conducting the reviews to processing these claims. Since fiscal year 1987, SSA has done only about half of the more than 2 million required reviews. Consequently, SSA will pay more than a billion dollars to beneficiaries who have improved enough to return to work. Further, the integrity of the trust funds is affected because thousands of ineligible beneficiaries remain on the disability rolls. In 1991, SSA streamlined its continuing disability review process by being more selective about which beneficiaries are reviewed. SSA is evaluating ways to further refine its process. GAO believes that SSA should (1) continue to examine ways to better target reviews for

beneficiaries who may have medically improved and (2) increase the number of reviews beyond those planned.

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## Information Management

### **DOD Computer Contracting: Inadequate Management Wasted Millions of Dollars**

GAO/IMTEC-93-31, June 25 (18 pages).

The Pentagon office overseeing military computer contracting lacked internal controls and consistently exercised poor contract management in the 2-1/2-year period ended January 1991, during which the government spent nearly \$16 million on unneeded or questionable computer equipment and services. These problems resulted in (1) lost equipment and unnecessary warehouse costs totaling almost \$1.5 million; (2) more than \$9.5 million in contracts awarded for equipment, software, and services without required justification; (3) \$2.3 million spent for a resources management system and a related subsystem that were discontinued because they never worked; (4) payment of an estimated \$250,000 for services that may not have been received; (5) about \$2 million paid for excessive technical and maintenance services; and (6) more than \$200,000 spent annually on little-used computer training facilities. The new office director has taken steps to correct these problems and prevent their reoccurrence.

### **Information Dissemination: Federal CD-ROM Titles—What Are Available and How They Were Priced**

GAO/IMTEC-93-34FS, June 30 (36 pages).

This report discussess how federal agencies price the compact disc-read only memory (CD-ROM) titles that they sell to the public. GAO found that agencies' CD-ROM pricing methods varied. Generally, agencies rely on their statutory authority to price the CD-ROM titles that they disseminate. GAO identified more than 180 CD-ROM titles that federal agencies make available to the public. Although some of these are free, most are priced from \$13 to about \$1,900.

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**National Water-Quality Assessment:  
Geological Survey Faces Formidable Data Management Challenges**

GAO/IMTEC-93-30, June 30 (24 pages).

Since the 1970s, roughly \$500 billion has been spent on water pollution abatement; it is unclear, however, whether this investment is paying off because the data needed to assess the quality of the nation's water are unavailable. In 1986, the U.S. Geological Survey began the National Water-Quality Assessment Program to fill this void. This report identifies (1) the obstacles that the program has encountered in obtaining, interpreting, and disseminating water-quality data from various sources; (2) approaches being used to overcome these obstacles; and (3) the potential these approaches hold in solving water-quality data collection and management problems.

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**International Affairs**

**Refugee Resettlement:  
Initial Reception and Placement Assistance**

GAO/NSIAD-93-193BR, June 18 (eight pages).

This report provides information on the initial resettlement assistance provided refugees entering the United States. The State Department's refugee reception and placement program establishes agreements with private voluntary agencies and provides them with per capita grants to assist refugees with their basic needs during their first 90 days in the United States. GAO discusses (1) what assistance the voluntary agencies agree to provide, (2) how they provide it, and (3) whether they are fulfilling their agreements.

**International Trade:  
Changes Needed to Improve Effectiveness of the Market  
Promotion Program**

GAO/GGD-93-125, July 7 (26 pages).

Although the Foreign Agricultural Service (FAS) has tried to focus and tighten requirements for Market Promotion Program funding, more changes are needed to ensure that program funds are being used effectively. GAO believes that the program's current funding process fails to address several important factors. FAS has no guarantee that program

funds are being used to increase the overseas promotional activities of commercial firms rather than simply replacing funds that would have been spent anyway. In addition, there are no criteria addressing the graduation from the program of participating commercial firms. FAS also has not developed criteria governing the participation of foreign versus domestic firms and large versus small firms. Lastly, FAS has only limited information on the U.S. content and processing of products promoted with program funds—one of the criteria used in funding decisions. FAS believes that it has received conflicting guidance from Congress and that it would benefit from explicit legislation clarifying the program's objectives.

**State Department:  
Management Weaknesses at the U.S. Embassies in Panama,  
Barbados, and Grenada**

GAO/NSIAD-93-190, July 9 (34 pages).

The State Department's track record in managing its overseas operations has not been good; a host of internal control problems continue to plague U.S. embassies, including shortcomings in property oversight, financial management, contracting and procurement, training, and staffing. In this report, GAO notes that U.S. embassy officials in Panama, Barbados, and Grenada sometimes failed to follow State Department guidance and procedures for property, cashiering, procurement, and other management functions. In other cases, responsible officials were unaware of the management control requirements. Sometimes inadequate controls were blamed on former embassy officials. Inaccurate embassy reporting on internal control systems has perpetuated the management oversight problems. GAO agrees with embassy officials that staffing gaps, combined with limited resources for training, have affected management controls. Although several efforts are under way to improve management controls, the embassies have no plans for a formal program of management improvement and cost control.

**State Department:  
Survey of Administrative Issues Affecting Embassies**

GAO/NSIAD-93-218, July 12 (56 pages).

GAO surveyed 104 U.S. embassies on problems affecting the following areas: staffing, training, financial management, contracting and procurement, property management, and regional support. According to

the survey respondents, (1) many embassies have staffing gaps in key administrative jobs; (2) the number of administrative staff at some embassies has not kept pace with increasing workloads; (3) some staff training needs go unmet; (4) financial management systems do not meet embassy needs; (5) some embassies have not taken required steps to improve overseas contracting and procurement; and (6) not all embassies inspect the condition of their facilities annually, and most do not prepare the required inspection reports. Most of the respondents said that they were satisfied with the administrative services received from the State Department's regional offices, but some were unhappy with the offices' financial management services. GAO summarized this report along with GAO/NSIAD-93-190 in testimony before Congress; see:

State Department: Widespread Management Weaknesses at Overseas Embassies, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-93-17, July 13 (25 pages).

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## Testimony

Foreign Assistance: Reforming the Economic Aid Program, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the House Committee on Foreign Affairs. GAO/T-NSIAD-93-20, July 26 (19 pages).

The Agency for International Development (AID) has entered the 1990s unprepared to meet the management challenges facing it. This testimony, which draws on a June 1993 general management study of AID (GAO/NSIAD-93-106), describes many long-standing management problems that have prevented AID from effectively implementing the foreign aid program. GAO provides evidence that AID's organization became so diffused that it often appeared to operate as a loose affiliation of independent miniagencies, each with its own agenda, procedures, and management systems.

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## Justice and Law Enforcement

### **Intensive Probation Supervision: Crime-Control and Cost-Saving Effectiveness**

GAO/PEMD-93-23, June 4 (10 pages).

Since 1980, the U.S. prison population has doubled. Accompanying this enormous increase has been a sharp rise in the cost of keeping these offenders in jail. The high cost of imprisonment has led to the proliferation of intermediate sanction programs, which offer a level of sanction between parole or probation and traditional imprisonment. Arizona's intensive probation supervision program (IPS) has dampened criminal activity, but only when offenders were directly under IPS control. Although IPS sentences reduced direct costs, additional requirements, such as mandatory jail time, could make total costs for IPS programs greater than those for traditional imprisonment. GAO has two main conclusions. First, even a prison sentence does little to stop some offenders from committing crimes once they are released and may even increase the likelihood that they will commit more crimes. This conclusion is supported by the fact that about half of the offenders in one Arizona county and a third in another county were arrested within three years of sentencing. Second, despite mixed results, intensive supervision has a role to play in corrections policy. The findings from Arizona, although not strong enough to recommend a major expansion of intensive supervision programs, do add to the growing body of research suggesting that these programs have merit. Given the lack of unambiguously successful alternatives, any option that controls crime and offers the promise of dollar savings deserves serious attention. The following two reports discuss in detail the Arizona program's success in controlling costs and reducing criminal behavior:

**Intensive Probation Supervision:  
Cost-Savings Relative to Incarceration**

GAO/PEMD-93-22, June 4 (65 pages).

**Intensive Probation Supervision:  
Mixed Effectiveness in Controlling Crime**

GAO/PEMD-93-4, June 4 (62 pages).

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**Testimony**

**Mandatory Minimum Sentences: Are They Being Imposed and Who Is Receiving Them?**, by Henry R. Wray, Director of Administration of Justice Issues, before the Subcommittee on Crime and Criminal Justice, House Committee on the Judiciary. GAO/T-GGD-93-40, July 28 (28 pages).

Since the enactment of statutes carrying mandatory minimum sentences, questions have been raised about whether such sentences are being

imposed when required and who is receiving them. This testimony discusses (1) whether offenders convicted of crimes carrying mandatory minimum sentences actually received them; (2) how local prosecution practices influenced decisions to bring charges entailing mandatory minimum sentences; (3) what the relationship between the federal sentencing guidelines and mandatory minimum sentences is; and (4) what the races, the genders, the ages, the criminal histories, and the education of offenders receiving mandatory minimum sentences are. GAO reviewed 900 cases in eight judicial districts that had the potential for mandatory minimum sentences as a result of drug or firearms violations. Overall, 85 percent of the offenders received at least the statutory minimum sentence.

National Crime Information Center: Legislation Needed to Deter Misuse of Criminal Justice Information, by Laurie E. Ekstrand, Associate Director for Administration of Justice Issues, before the Subcommittee on Information, Justice, Agriculture, and Transportation, House Committee on Government Operations, and before the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary. GAO/T-GGD-93-41, July 28 (61 pages).

The National Crime Information Center (NCIC) is the nation's most extensive criminal justice information system. NCIC, which is maintained by the FBI, contains more than 24 million records and provides users with information on everything from missing and wanted persons to stolen vehicles to criminal records. More than 19,000 law enforcement agencies across the United States and Canada can access NCIC via their computers. GAO testified that NCIC was vulnerable to misuse from individuals with authorized access, or "insiders," because of the (1) system's inherent risks and (2) control limitations in some state criminal justice information systems through which users access NCIC. In one case, a former law enforcement officer in Arizona obtained NCIC information from other officers and used it to track down and murder his girlfriend. In another example, a computer operator in Pennsylvania did background searches for her drug-dealer boyfriend, who had asked her to comb through the criminal history records to see whether new clients might be undercover agents. Although proposed security upgrades should address NCIC's vulnerability, potential capability and implementation limitations could diminish their effectiveness. GAO also found that the FBI and states were not systematically assessing the extent and the nature of NCIC misuse. GAO recommends that (1) Congress pass legislation with strong criminal

penalties for misuse of NCIC, which will serve as a deterrent, and (2) NCIC's security policy requirements be reevaluated.

## National Defense

### **Women in the Military: Deployment in the Persian Gulf War**

GAO/NSIAD-93-93, July 13 (58 pages).

Of the more than half a million U.S. troops sent to the Persian Gulf during Operations Desert Shield and Desert Storm, about seven percent were women. The deployment of so many women renewed debate about whether the ban on women in combat should be lifted. GAO visited 10 support units sent to the Persian Gulf with both men and women to learn of their experiences. Overall, the unit commanders with whom GAO spoke generally had positive things to say about women's performance in the Persian Gulf War. Women in the military units GAO visited worked on a broad variety of assignments during the deployment, and men and women endured equally harsh encampment facilities and conditions. Health and hygiene problems during the deployment were considered inconsequential for both sexes. Cohesion in mixed-gender units was generally considered to be effective during the deployment, and unit commanders often described cohesion as being best while the units were deployed. Pregnancy was cited as a cause for women returning early from deployment or not deploying at all, but the groups GAO spoke with generally identified few actual cases.

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

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

At both wholesale and retail locations, the Defense Department (DOD) could be using commercial practices to reduce its maintenance and repair inventory. At one military facility GAO studied, DOD stored enough retail-level inventory to last about two years, which could be supplemented with another two years of wholesale-level inventory. Storing and managing this inventory costs millions of dollars. In addition, changing DOD requirements have rendered some inventory items old or obsolete. Although DOD has tried using some commercial practices, such as long-term contracting, direct deliveries, and electronic ordering, their

application has not been widespread. Two private sector companies GAO visited have achieved significant savings by adopting modern inventory management practices. These practices include locating suppliers at a "supplier park" near the industrial centers, which allows for direct deliveries of supplies to the centers, and establishing electronic data interchange systems to streamline ordering, bill-paying, and distribution. These firms do not use a wholesale system to store and distribute consumable items and have reduced or eliminated the need to store large quantities of these items at their industrial centers.

**Navy Inventory:  
Better Controls Needed Over Planned Program Requirements**

GAO/NSIAD-93-151, July 1 (15 pages).

The Ships Parts Control Center manages the Navy's stock of ship and submarine parts. GAO found weaknesses in the center's internal control over and monitoring of planned program requirements. Specifically, the center's files contained duplicate and unauthorized planned program requirements, as well as inappropriate requirements for which the center did not budget and did not use to support specific supply actions. In addition, the center's written guidance for validating these requirements was inadequate. Duplicative and unauthorized payments could result in the procurement of unneeded materials. Although the planned program requirement system has been used by the Navy for many years, adequate program management data was unavailable to determine how well it operated. Improved control over and monitoring of the system by the center could help ensure that the Navy's planned program requirements are valid and satisfied promptly and efficiently. The center has taken steps to identify system problems and has reduced the number of planned program requirements in its files. The center also plans to emphasize this subject in its next management control review cycle.

**Military Satellite Communications:  
Opportunity to Save Billions of Dollars**

GAO/NSIAD-93-216, July 9 (15 pages).

The Pentagon's plan to save billions of dollars by taking advantage of modern technology in building its military satellites has failed to materialize. The Defense Department (DOD) still lacks a coordinated process for incorporating the latest technology into its military satellite

communications. Unless such a process is established, DOD may end up continuing to acquire costly, customized military satellites. DOD developed alternative satellite architecture that relied on common bus designs—standard satellite platforms capable of carrying various payloads. It was estimated that these buses would cut long-term costs substantially. DOD ultimately shelved all of the alternatives, despite the fact that one of the common bus designs proved to have many technological advantages and a lower price tag.

**Army Training:  
Expenditures for Troop Schools Have Not Been Justified**

GAO/NSIAD-93-172, July 9 (24 pages).

The internal control weaknesses in the Army's troop school program, first reported more than a decade ago, persist today, calling into question whether the Army is able to manage the program effectively and efficiently. Troop schools are run under contract by private colleges and supplement the job training given to soldiers by noncommissioned officers. As it now stands, expenditures for troop schools have not been justified. Most of the justifications GAO reviewed were not based on assessed performance of individual soldiers, as required, and none documented that troop schools were the most cost-effective alternative. At the schools, the Army continues to offer many courses without proper authorization; wastes money on unneeded courses; and allows contractors to administer tests to determine whether soldiers need training, despite the potential for creating false demand. The persistent nature of these problems clearly indicates that the Army has not followed up on the corrective actions it initiated in response to GAO's 1988 findings and recommendations.

**NASA Procurement:  
Proposed Changes to the Jet Propulsion Laboratory Contract**

GAO/NSIAD-93-178, July 15 (21 pages).

NASA has failed to seek competitive bids for managing the Jet Propulsion Laboratory. The California Institute of Technology ended up the only bidder for a new five-year contract under which Caltech is paid \$14 million annually to run the laboratory. In 1992 this amount was higher than the fee paid to sponsors of other university-run federally funded research and development centers. Caltech began conducting rocketry and other

experiments at the laboratory in the 1930s, and its work continued under U.S. Army sponsorship during World War II. Caltech has managed the laboratory for NASA since 1958. GAO questions the allowability of so-called "working meals," which the contractor is charging to the current contract on the basis of a very loose interpretation of the cost principle allowing educational institutions to be reimbursed for the cost of meals. NASA should also consider whether and to what extent laboratory employees should be reimbursed for their children's college tuition costs.

**Acquisition Reform:  
Contractors Can Use Technologies and Management Techniques to Reduce Costs**

GAO/NSIAD-93-125, July 15 (15 pages).

In the face of defense industry downsizing, the Pentagon is encouraging contractors to switch to modern manufacturing technologies and innovative management techniques. Such changes would benefit the government, which often ends up paying for all or much of contractors' work-in-progress costs—the inventory, labor, and overhead costs incurred during manufacturing. Although defense companies could potentially cut costs significantly by using these technologies and techniques, GAO concludes that competitive market forces may not be enough to motivate companies to significantly lower costs, which can lower profits in the near term. In addition, many defense companies receive government funding, which provides few incentives for aggressive cost cutting. Pentagon programs have played only a limited role so far in motivating companies to reduce costs. GAO believes that significant progress in this area depends on the Defense Department stimulating contractors' cost reductions through several policies and programs, not merely those that focus on manufacturing technologies.

**Industrial Base:  
Impact of Defense Downsizing on Selected Abrams Tank Subcontractors**

GAO/NSIAD-93-214, July 15 (11 pages).

Cuts in defense spending have reduced the volume of business and the number of jobs at many Abrams tank contractors. As of May 1993, 11 of the 14 tank contractors GAO queried had lost sales or had laid off workers because of defense cutbacks. So far, a combination of continuing Abrams

tank production and spare parts sales, foreign military sales, and commercial and other defense sales has kept these 14 contractors afloat. Eight of the 14 contractors, however, were unclear about whether their current tank component production capabilities could be retained. The contractors said that their ability to reconstitute Abrams tank production would be affected by whether they had comparable commercial business and whether they produced the tank component using the same facilities, equipment, and personnel as were used in commercial production. The contractors said that they would need anywhere from six months to five years to reconstitute production for tank components. Impediments to reconstitution included obtaining critical skills, vendors, materials, test equipment, and production facilities along with meeting government requirements and specifications.

**Army Acquisition:  
More Testing Needed to Solve Heavy Equipment Transporter  
System Problems**

GAO/NSIAD-93-228, July 16 (14 pages).

The Army's new Heavy Equipment Transporter System (HETS) consists of a tractor and semitrailer designed to transport tanks and other heavy equipment. The Army's justification for expanding the HETS transportation company's mission and increasing HETS quantity requirements appears adequate. An Army analysis showed that achieving the expanded mission would yield substantial cost savings. The new HETS, however, had not met its contractually required reliability and maintainability levels, and a current test will not conclusively prove compliance with those requirements. Also, the HETS has not shown that it can adequately accomplish its mission or that it is suitable for fielding. Moreover, the new system has a safety problem caused by the semitrailer's tendency to veer into the other lane on turns and curves. The new HETS contracts originally contained language that embodies the spirit of the Defense Department's fly-before-buy policy. The Army, however, conditionally accepted deliveries of HETS before contractual reliability and maintenance requirements had been demonstrated.

**Ballistic Missile Defense:  
Evolution and Current Issues**

GAO/NSIAD-93-229, July 16 (84 pages).

Since the first successful Soviet intercontinental ballistic missile test in August 1957, the United States has been preoccupied with developing an adequate line of defense against these nuclear weapons. This effort culminated in the Strategic Defense Initiative (SDI)—a space-based defense system first proposed in 1983 as a way to knock out incoming nuclear missiles. Although the United States has spent more than \$30 billion to develop SDI, the Secretary of Defense recently announced the “end of the Star Wars era.” Theater missile defense is now the first priority, and national missile defense is the second priority. The total request for fiscal year 1994 is \$3.8 billion. This report provides information on the evolution of SDI, its oversight by the Defense Department, investments in major projects, technical progress and remaining challenges, commercial spin-offs of SDI technology, use of retired missiles as launch vehicles for SDI sites, and plans for using nuclear power in space.

**Air Force Appropriations:  
Funding Practices at the Ballistic Missile Organization**

GAO/NSIAD-93-47, July 16 (19 pages).

This report reviews how the Advanced Strategic Missile Systems program used its fiscal year 1990 appropriations. GAO concludes that the program office satisfied the congressional stipulation that at least \$21 million of fiscal year 1990 appropriations be used to boost guidance development. The program office used \$11.2 million of the fiscal year 1990 missile appropriations to help pay for four advanced guidance technology development contracts that had been charged against fiscal year 1989 appropriations. However, \$9.2 million of the \$11.2 million represented obligations incurred before the start of fiscal year 1990. Use of funds in this way violated the law and was inconsistent with the Air Force regulation governing the obligation and deobligation of appropriated funds. In addition, the Air Force's replacement of fiscal year 1989 appropriations with fiscal year 1990 appropriations—a move to free up 1989 funds for nonguidance projects whose funding was curbed by language in the conference report—circumvented the intent of the fiscal year 1990 appropriations legislation.

**Aerial Refueling Initiative:  
Cross-Service Analysis Needed to Determine Best Approach**

GAO/NSIAD-93-186, July 19 (21 pages).

This report examines the performance of the air refueling tanker force during Operation Desert Storm. GAO analyzes (1) the relevance, in light of that wartime experience, of a 1990 initiative to boost tanker efficiency, effectiveness, and interoperability and (2) the adequacy of the Defense Department's assessment of the initiative, which basically called for standardizing Air Force refueling equipment for tankers and fighters on the refueling system used by the other services and many U.S. allies. The tanker modifications would also allow two fighters to refuel simultaneously, a capability known as multipoint.

**Air Force Supply:  
Improvements Needed in Management of Air Mobility Command's  
Forward Supply System**

GAO/NSIAD-93-10, July 21 (22 pages).

The Air Force stocks more spare parts than it needs at overseas forward supply locations. When establishing parts requirements for new weapon systems, adding quantities for forward supply locations duplicates the requirements based on expected failure rates and flying hours. For the C-17 aircraft, these additional requirements boosted the Air Force's budget request for initial provisioning in fiscal year 1993 by \$10 million. Although cuts in initial provisioning funding for fiscal year 1993 resulted in no money for forward supply support that year, Air Force officials project that \$50.6 million in spares for forward support locations will be procured during the C-17 initial provisioning period. When parts wear out and must be replaced, usage data from forward supply locations are being reported to the Air Force's requirements system in a way that duplicates the requirements previously set by the Air Force Mobility Command. This reporting results in a double counting of requirements. As of November 1992, the \$90 million in inventory at forward supply locations exceeded what is normally needed by about \$18 million.

**Navy Maintenance:  
Improved Labor Estimates Can Reduce Shipyard Costs**

GAO/NSIAD-93-199, July 22 (41 pages).

Navy reviews done between 1989 and 1991 and later GAO tests found that labor estimates for ship repairs often were overstated. In addition to increasing repair prices, overstated labor estimates caused the reporting of erroneous labor efficiency data. Without accurate labor efficiency data,

managers could not measure labor performance and identify areas needing attention. This problem arose because shipyard planners did not always follow estimating policies, internal controls were absent, and labor standards were not always current to help planners prepare accurate estimates. The shipyards did devote considerable effort to implementing labor-saving improvements, such as more efficient production methods and equipment. The benefits from these improvements, however, were not always incorporated into labor estimates for repairs because planners were not told of new processes and equipment. Consequently, labor savings stemming from improvements often were not reflected in reduced benchmarks for efficiency measurement or in lower repair prices.

**Minority Contracting:  
DOD's Reporting Does Not Address Legislative Goal**

GAO/NSIAD-93-167, July 27 (10 pages).

This report examines the Defense Department's (DOD) implementation of 10 U.S.C. 2323, which recommends the award of five percent of DOD contract dollars to minority small businesses, historically black colleges and universities, and minority institutions. These contracts could involve procurement; military construction; operation and maintenance; and research, development, test, and evaluation. GAO discusses DOD's (1) progress toward the five-percent program goal, (2) use of certain contracting procedures authorized to achieve the section 2323 goal, and (3) progress in boosting participation by minority small business concerns.

**Operation Desert Storm:  
Improvements Required in the Navy's Wartime Medical  
Care Program**

GAO/NSIAD-93-189, July 28 (19 pages).

Navy medical units that supported Operations Desert Shield and Desert Storm were assigned wartime missions they were unprepared for. They were neither staffed nor equipped to care for the numbers of casualties they were told to expect, provide noncombat medical care, support the evacuation of casualties out of theater, or receive large numbers of chemically contaminated casualties. The personnel information systems used to assign individuals to Navy medical units contained incomplete and outdated information. Many doctors and nurses who were scheduled to deploy did not do so for a variety of reasons. In addition, medical

personnel had not trained during peacetime for their wartime mission. Personnel also raised concerns about their ability to obtain equipment and supplies needed to treat mass casualties and to perform other missions. Fortunately, the six-month interval between deployment and the start of the ground war allowed individuals to prepare for their wartime roles. By most accounts, medical units supplied by the Navy provided adequate care for those in need. However, had the Navy incurred the predicted number of casualties, or had the ground war started earlier or lasted longer, the care provided by these units might have fallen short.

**Property Disposal:  
DOD Is Handling Large Amounts of Excess Property in Europe**

GAO/NSIAD-93-195, July 30 (19 pages).

The drawdown of forces in Europe has resulted in more than 1 million short tons (a short ton is 2,000 pounds) of excess property worth billions of dollars, everything from typewriters to wheeled and tracked vehicles. Most of the property is from Army bases. Each service has established a method to deal with the excess equipment and supplies arising from the drawdown. Between October 1989 and February 1993, Defense Reutilization and Marketing Offices in Europe received \$4.7 billion of excess equipment and supplies. These offices have revised their procedures to accommodate the additional excess and supplies that the services have turned in to them since the drawdown began. The Pentagon lacks a systematic means of sharing information on some excess property at the installation level. Thus, the property is being returned to the wholesale level or sent to disposal, which is causing problems in the efficient drawdown of equipment and supplies. For example, Army units are turning in items needed by other Army units, and items sold through the disposal process only fetch about two percent of the acquisition cost.

**Battlefield Automation:  
More Testing and Analysis Needed Before Production of Air  
Defense Radar**

GAO/NSIAD-93-175, July 30 (28 pages).

The Army's Forward Area Air Defense System will rely on ground-based sensors to track and target enemy aircraft. If a production decision on low-rate initial production of the ground-based sensors is made as scheduled, the Army will be committing to the acquisition of an unproven

system that may be unjustified. The Army will not have completed enough testing to verify that the ground-based sensor will work as intended. The Army will also not have done an analysis justifying the sensor as the best cost alternative for meeting air defense requirements before a production decision is made. Although the Pentagon has delayed funding for the ground-based sensor until fiscal year 1995, GAO urges that sufficient testing and an operational effectiveness analysis be done before any production decision is made.

## Testimony

Defense Management: Printing Operations at the Department of Defense, by Donna M. Heivilin, Director of Defense Management and NASA Issues, before the Joint Committee on Printing. GAO/T-NSIAD-93-10, July 15 (18 pages).

In 1990, the Pentagon announced the consolidation of all Defense Department (DOD) printing and duplicating services under a single manager. DOD expects this move to save about \$13.7 million in 1993 and about \$30 million annually beginning in 1994. This testimony provides a limited price comparison of printing and duplicating jobs completed in DOD facilities, as compared with the expected price for the same work commercially procured through the Government Printing Office. GAO also discusses (1) DOD's progress in consolidating its printing operations, (2) DOD's adherence to congressional direction concerning its printing and duplicating operations, and (3) DOD acquisition of printing services under its Joint Computer-Aided Acquisition and Logistics Support Program.

Chemical Weapons Storage: Communities Are Not Prepared to Respond to Emergencies, by David R. Warren, Associate Director for Defense Management and NASA Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-NSIAD-93-18, July 16 (24 pages).

Communities near the nation's eight chemical munitions storage sites are unprepared to deal with the accidental release of lethal chemicals despite federal outlays of \$187 million since 1988 on an emergency preparedness program. The eight sites are located in Pine Bluff, Arkansas; Anniston, Alabama; Pueblo, Colorado; Newport, Indiana; Lexington, Kentucky; Aberdeen, Maryland; Umatilla, Oregon; and Tooele, Utah. The lack of progress on the part of the Army and the Federal Emergency Management Agency stems from program weaknesses, such as fragmented authorities and responsibilities, and poor controls over funds, leading to missed

program milestones and delays in issuing guidance. The upshot is that local communities lack plans to (1) quickly notify residents of a chemical accident and tell them how to respond; (2) evacuate and shelter-in-place those residents who would be immediately affected by a chemical accident; (3) provide protective equipment to people helping with the evacuation or conducting decontamination; and (4) provide medical treatment for casualties.

U.S. Army and Marine Corps: Allegation of Contracting Irregularities and Conflicts of Interest, by Richard C. Stiener, Director of the Office of Special Investigations, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-OSI-93-2, July 30 (nine pages).

The Army allegedly abused the contract "offloading" process and circumvented the Competition in Contracting Act of 1984 as part of a three-year, \$8-million contract with the Computer Sciences Corporation. Although this contract expired in September 1989, it was extended to September 1992 to allow for the completion of contracts for goods and services. By March 1993—3 1/2 years after the contract had expired—38 contracts had been issued at a total cost of nearly \$33 million, almost \$25 million more than originally planned, and the work was continuing. In one instance, the Army acquired a computer system that should have been obtained through competition. Neither the Army nor the Marine Corps did a cost analysis, and the government had little assurance that it obtained a fair price for the work. In addition, appropriated funds were spent for purposes other than that for which they were intended, and both the Army and the Marine Corps violated federal regulations governing contracting officers and computer purchases—problems that GAO attributes to poor contract oversight. GAO also discovered conflicts of interest between U.S. Army civilian employees and the contractor.

## Natural Resources

### Water Resources:

#### Federal Efforts to Monitor and Coordinate Responses to Drought

GAO/RCED-93-117, June 8 (49 pages).

Collecting and reporting data on drought conditions in the United States is a collaborative, multilevel effort led by the federal government. State and local governments make important contributions of work and funding to this effort. Federal, state, and other users are generally satisfied with the

data on drought that are collected and distributed by federal agencies. No permanent federal organization is responsible for monitoring drought conditions and planning the government's response. Instead, individual agencies carry out these activities and arrange to cooperate with one another. When drought has been severe or has had widespread geographic impact, temporary interagency committees have been set up to coordinate the response. Because of the increasingly severe effects that periodic droughts have had on the economy, however, temporary committees may no longer be able to handle the long-term planning needed for such droughts, promptly resolve policy differences among federal agencies, or coordinate the federal response to drought.

**Species Protection:  
National Marine Fisheries Service Enforcement Efforts**

GAO/RCED-93-127BR, June 21 (25 pages).

During 1991 congressional hearings, shrimp fishermen from the Gulf of Mexico complained that federal agencies were overly aggressive in enforcing regulations requiring turtle eluder devices, which create a hole in shrimp nets allowing trapped turtles to escape. This briefing report examines how enforcement practices under the Endangered Species Act compare with the enforcement of other fisheries and marine protection laws. GAO presents statistical data on the level of federal agencies' enforcement efforts and penalties assessed to enforce four major fisheries and marine species protection laws in the southeastern United States.

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## Social Services

**Foster Care:  
Services to Prevent Out-of-Home Placements Are Limited by  
Funding Barriers**

GAO/HRD-93-76, June 29 (73 pages).

The rise in the number of abused and neglected children, many of whom are placed in out-of-home care, has dramatically increased the pressure on state child welfare programs. Yet the existing federal system for financing child welfare programs offers little incentive for states to provide services designed to keep families together and avert the need for foster care; instead, states find it easier to house a growing population in federally subsidized foster care. For example, it is harder for states to provide child welfare services designed to keep families together because federal

funding for these purposes is limited by annual, capped appropriations. In contrast, federal funding for foster care is an open-ended entitlement, making it easier to place children in out-of-home care. In addition, declining state revenues combined with swelling foster care caseloads have largely exhausted state moneys that could otherwise be used for family preservation services. States have tried to cope with fiscal barriers and caseload growth by maximizing the use of federal foster care funds for eligible children, shifting costs to localities, and developing less costly alternatives to institutional placement. States have also developed family preservation programs as an innovative option for reducing caseloads.

**Welfare to Work:  
States Move Unevenly to Serve Teen Parents in JOBS**

GAO/HRD-93-74, July 7 (60 pages).

The Job Opportunities and Basic Skills Training (JOBS) program can be used to help teen parents receiving welfare—even those considered hardest to serve—complete their high school education. In the 16 states GAO reviewed, about 24 percent of the teen parents receiving welfare had been enrolled in JOBS. The share of teen parents enrolled in each of these states, however, differed substantially, anywhere from seven to 53 percent. Although the states varied in important ways that affected teen parents' enrollment, this finding is not unexpected in a program such as JOBS, which is a financial and programmatic partnership between the federal and state governments. GAO cannot yet draw any firm conclusions about the effectiveness of JOBS in helping these young mothers. The numbers served are relatively small and not enough is known about the impact of JOBS on reducing welfare dependence among teen parents and their families. Moreover, JOBS is a relatively new program that has been operating in an environment of mounting fiscal distress and competing demands on state budgets. However, as state programs evolve, the economy recovers, and states choose to target more funds to JOBS, states may have greater capacity to enroll teen parents and strengthen the education and support services tailored to their needs. Because some teen parents have been improperly excluded from JOBS and states may be missing opportunities to enroll teen parents before they become welfare cases, GAO believes that steps should be taken to ensure that all teen parents are properly identified and told of the requirements for participating in JOBS.

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## Tax Policy and Administration

### **Tax Policy: Puerto Rico and the Section 936 Tax Credit**

GAO/GGD-93-109, June 8 (66 pages).

This report presents information on proposals that would revise the Internal Revenue Code section 936 tax credit, which mainly affects Puerto Rico and the subsidiaries of U.S. companies that operate there. Under section 936, income earned by U.S. firms from operations in U.S. possessions is exempt from federal corporate income taxes. Section 936 also exempts income from some passive investments of section 936 corporations in U.S. possessions and other qualified locations. GAO provides background information, discusses issues concerning estimating the effects of alternatives to the section 936 tax credit, and examines the multiplier effects of section 936 firms on the Puerto Rican economy. GAO also summarizes information on changes in the Puerto Rican economy since 1971 and the distribution of tax benefits, employment, and compensation among section 936 manufacturing firms.

### **International Taxation: Taxes of Foreign- and U.S.-Controlled Corporations**

GAO/GGD-93-112FS, June 11 (15 pages).

This fact sheet provides information on corporations that paid little taxes. GAO (1) determines how many taxpaying corporations in various asset categories paid a minimal amount of income tax in 1989 and (2) identifies the specific line items on the tax returns that accounted for the differences in the cost of goods sold reported by foreign- and U.S.-controlled corporations. GAO notes that more than 40 percent of very large corporations doing business in the United States—those with assets of \$250 million or more—either paid no income taxes or paid income taxes of less than \$100,000. This was true of both foreign- and U.S.-controlled corporations.

### **Long-Term Care Insurance: Tax Preferences Reduce Costs More for Those in Higher Tax Brackets**

GAO/GGD-93-110, June 22 (31 pages).

A wide range of proposals have been made to increase incentives to buy long-term care insurance. Some of these proposals seek to clarify the tax treatment of payments from long-term care insurance policies and long-term care riders to life insurance policies. Others seek to liberalize tax treatment either by allowing long-term care insurance premiums to be deductible or by allowing payments from policies to be tax-exempt. This report does not discuss specific proposals but instead examines generic types—including pension, life insurance, and health insurance—and shows how the related tax incentives would affect the price of long-term care insurance depending upon (1) the age and tax bracket of the consumers and (2) whether the coverage is employer provided or individually purchased. GAO also examines how these alternative tax treatments would affect the lifetime benefits and costs of individuals of different ages and tax brackets.

## Transportation

### **Aviation Safety: Unresolved Issues Involving U.S.-Registered Aircraft**

GAO/RCED-93-135, June 18 (20 pages).

International standards stipulate that the country of registration assumes primary responsibility for overseeing its aircraft. Several factors, however, limit the Federal Aviation Administration's (FAA) ability to fulfill this requirement for all U.S.-registered planes. Because FAA does not track the leasing of U.S.-registered aircraft among U.S. and foreign carriers and has not developed clear guidance on the frequency of inspection of foreign-operated, U.S.-registered aircraft, it cannot plan and perform timely inspections of aircraft returning to U.S. operation after having been leased to a foreign carrier. Also, because FAA cannot verify whether foreign carriers have FAA-approved maintenance programs for U.S.-registered aircraft and some of the planes operate in countries that fail to meet international standards, U.S. passengers have little assurance that such aircraft are safe to fly on. FAA also has not developed an effective system to track and verify foreign corporations' compliance with a requirement that 60 percent of their U.S.-registered aircraft's flight hours be conducted in the United States—a measure intended to discourage foreign aircraft owners from using the U.S. aircraft registration system as a flag of convenience. Although FAA has had the opportunity to raise aircraft registration fees, FAA has not increased these fees since 1964. As a result, FAA has lost about \$6.5 million in additional revenue since 1968.

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## Testimony

**Aviation Research: Issues Related to FAA's Research Activities**, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Technology, Environment, and Aviation, House Committee on Science, Space, and Technology. GAO/T-RCED-93-68, July 29 (17 pages).

The Federal Aviation Administration's (FAA) Research, Engineering, and Development (RE&D) Program plays an important role in ensuring the safety, security, and efficiency of the U.S. air transport system. Several systems developed through the program, such as the Traffic-Alert/Collision Avoidance System, are now finding their way into everyday use. GAO testified that FAA is taking some important steps to strengthen the RE&D Program, such as introducing mission need statements in fiscal year 1993 to prioritize research and guide funding decisions. FAA has not, however, included the requisite budget and staffing information in the RE&D plan. This information is critical in today's budget environment, which is forcing FAA to make hard choices between diverse research needs. The success of the RE&D Program in meeting current and future challenges depends on integrating RE&D goals into other program areas, leveraging research done by other federal agencies, integrating various technologies to meet specific safety and capacity problems, and incorporating human factors into all research. The solution to some of today's most pressing problems may call for greater cooperation between FAA and NASA.

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## Veterans Affairs

**VA Health Care:  
Veterans' Efforts to Obtain Outpatient Care From  
Alternative Sources**

GAO/HRD-93-123, July 14 (22 pages).

During visits to six medical centers, GAO identified 198 veterans who had applied for Department of Veterans Affairs (VA) medical care during the first six months of fiscal year 1992 and were turned away without receiving all needed care. Each of these veterans were turned away for treatment of nonemergency conditions that VA staff considered to be unrelated to military service. GAO found that 168 of these 198 veterans later obtained the care initially sought, such as diagnostic evaluations or medical treatment, mostly from non-VA medical providers. The remaining 30 veterans did not receive further medical care, mainly because they could not afford it.

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**VA Health Care:  
Variabilities in Outpatient Care Eligibility and Rationing Decisions**

GAO/HRD-93-106, July 16 (56 pages).

Veterans' access to outpatient care at Department of Veterans Affairs (VA) medical centers varies widely. The reasons are twofold: first, medical centers throughout the country interpret VA outpatient eligibility criteria differently; and second, medical centers' rationing decisions vary, including whether to ration and what rationing method to use. This means that veterans with similar medical conditions or income status may receive outpatient care at some medical centers but not at others. As a result, veterans are often confused or frustrated when turned away by VA centers without receiving needed medical care. GAO recommends that VA develop alternative eligibility criteria that produce more predictable eligibility decisions or provide better guidance to centers so that doctors make more consistent eligibility determinations. In addition, Congress may want to direct VA to modify its system for allocating resources to medical centers so that veterans with similar medical or economic status have more consistent access to outpatient care. GAO summarized this report, along with GAO/HRD-93-123, in testimony before Congress; see:

Veterans Affairs: Accessibility of Outpatient Care at VA Medical Centers, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. GAO/T-HRD-93-29, July 21 (11 pages).

**Veterans' Compensation:  
Premature Closing of VA Office in the Philippines Could Be Costly**

GAO/HRD-93-96, July 15 (27 pages).

The Department of Veterans Affairs' (VA) disability compensation and survivor benefit programs in the Philippines provides payments to Filipino veterans as a result of their service with U.S. armed forces during World War II. VA had planned to close its Manila office in March 1994 and move claims processing to Seattle, Washington. GAO concludes that VA should not make this change until it has ensured that only proper benefits are made and that only those eligible receive benefits. Even though it has been nearly 50 years since the end of World War II, many claims are still submitted for compensation benefits, most of which are denied by VA's Manila office because of an insufficient basis or because they involve

fraud. Careful review by claims examiners knowledgeable of the local situation should continue until VA can develop an effective alternative to processing claims in Manila.

**VA Health Care:  
Potential for Offsetting Long-Term Care Costs Through  
Estate Recovery**

GAO/HRD-93-68, July 27 (28 pages).

The Department of Veterans Affairs (VA) spent about \$1.2 billion in fiscal year 1991 to provide nursing home and domiciliary care to 75,000 veterans in VA and community facilities. For nursing home care, VA is required to collect a fee, known as a copayment, from veterans with incomes above a certain level—about \$19,000 for a single veteran. VA picks up the tab for other veterans receiving care. Although VA is able to recover any unpaid nursing home copayments from veterans' estates, VA is not authorized to recover its remaining costs—more than 90 percent of its total costs for providing nursing home and domiciliary care. In GAO's view, an estate recovery program could help ease the financial strains on the government's health care efforts. Estate recovery programs can be structured to recover costs without placing undue hardships on the elderly, are consistent with the government's commitment to provide medical care to veterans, and can more than pay for themselves. Oregon's Medicaid estate recovery program recoups about \$13 for every \$1 spent administering the program. Congress may want to consider allowing VA to recover from veterans' estates up to the full cost of providing nursing home and domiciliary care. These funds could be used to help offset rising operating costs and provide care for more veterans. VA may need the authority to prevent asset transfers to family members or others that would circumvent cost recovery.

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## Special Publications

**Information Technology:  
An Audit Guide for Assessing Acquisition Risk (and the companion  
Quick Reference for Automated Audit Guide)**

GAO/IMTEC-8.1.4 and GAO/IMTEC-8.1.4SW, Dec. 1992 (96 pages and 14 pages).

This guide provides a logical framework to evaluate information technology acquisitions. It features a risk assessment methodology that includes audit objectives, commonly expected documentation, detailed

audit questions, and references to federal regulations and guidance. The software version uses hypertext software that allows the user to easily search and access the audit guide as well as the reference material text, which includes the GAO model of the acquisition process, General Services Administration guidance, and Office of Management and Budget circulars.

**A Glossary of Terms Used in the Federal Budget Process:  
Exposure Draft**

GAO/AFMD-2.1.1, rev. Jan. 1993 (144 pages).

In addition to terms commonly used in the executive and legislative budget process, this glossary—an update of a 1981 publication—discusses relevant economic and accounting concepts and provides an overview of the federal budget process and budget structure.

**Guide for Evaluating and Testing Controls Over Sensitive  
Payments**

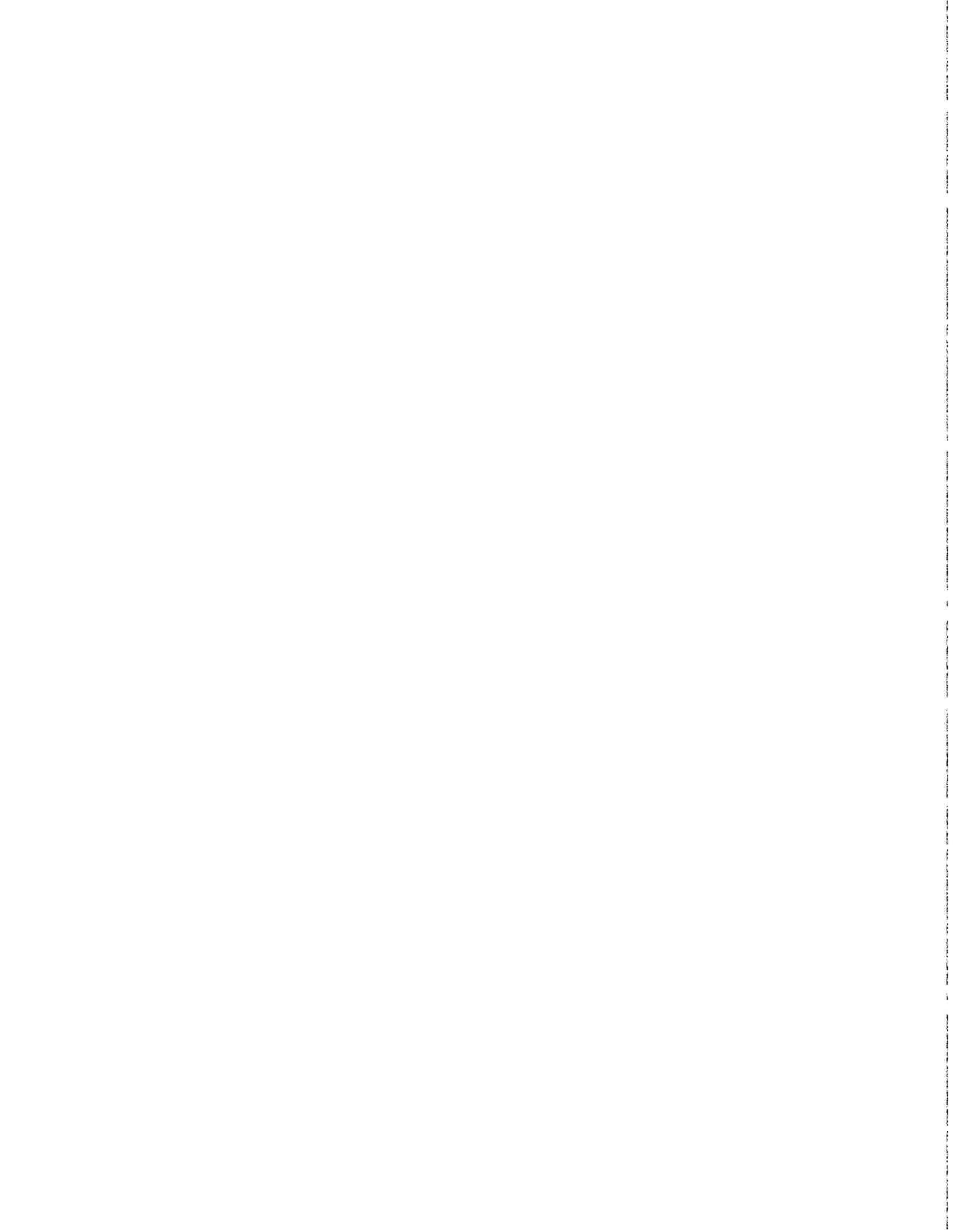
GAO/AFMD-8.1.2, rev. May 1993 (20 pages).

This guide provides a framework to evaluate the internal controls governing sensitive payments, such as executive compensation, travel, official entertainment, unvouchered expenditures, consulting services, speaking honoraria and gifts, and executive perks.

**Performance Evaluation of the Energy Information Administration**

PART-93-1, June 1993 (46 pages).

Congress created the Professional Audit Review Team (PART)—composed of representatives from leading statistical and analytical agencies, including GAO—to evaluate periodically whether the Energy Information Administration has been doing its work in an independent, objective, and professional manner. This report, which covers the period June 1990 through September 1992, examines the usefulness of energy information reports and the adequacy of contract management, including various aspects of the technical monitor program. The report also looks at action the Energy Information Administration has taken on earlier PART recommendations.



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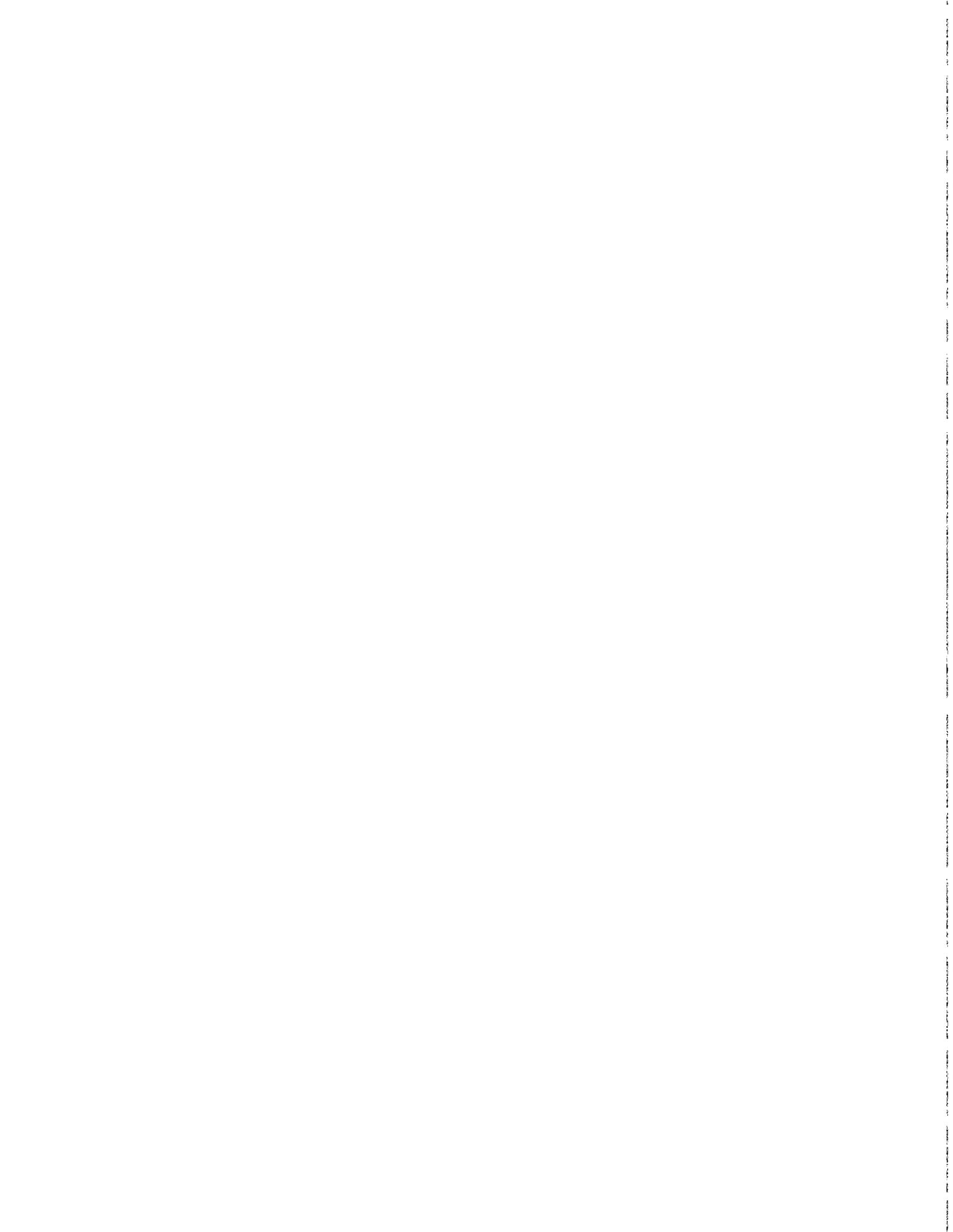
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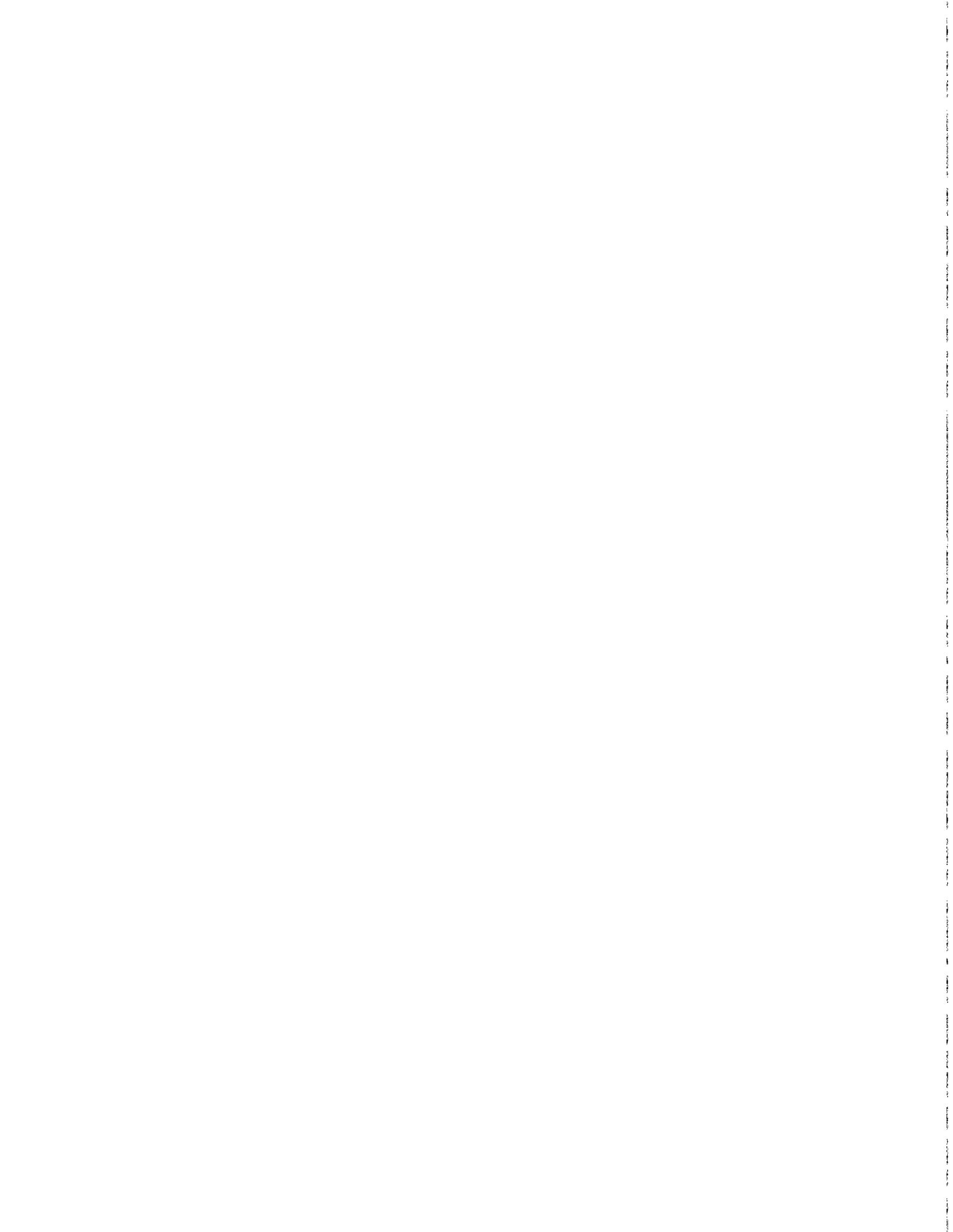
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