United States General Accounting Office

GAO

Office of Public Affairs

Reports and Testimony: February 1992

Highlights

Israeli Loan Guaranties

GAO evaluated a $400 million housing loan guaranty program authorized for Israel for 1990 to determine whether it was used in accordance with U.S. policies prohibiting such guaranties from being used for activities in the occupied territories. GAO found that funds made available through loan guaranties made other Israeli funds available for use as the Israeli government determined. Page 28.

Major Issues Facing Congress

Persistently high budget deficits continue to constrict America's ability to respond to a host of domestic and international challenges and opportunities, ranging from a response to the current U.S. recession to world changes in the aftermath of the Cold War. Page 23.

Patriot Missile Defense

Despite advance warning that the Patriot missile system would miss its target if it operated continuously for 20 hours, the unit defending against an Iraqi Scud missile that hit an Army barracks in Saudi Arabia, killing 28 Americans, had been operating for more than 100 consecutive hours. Page 33.

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Agriculture and Food

Commodity Programs:
Should Farmers Grow Income-Supported Crops on Federal Land?

GAO/RCED-92-54, Jan. 15 (15 pages).

A media report that a Tennessee farmer received income support payments for not growing crops on federal land prompted congressional concern about the government's policy of allowing farmers who lease federal lands to participate in the U.S. Department of Agriculture's (USDA) income support program. Under that program, the government pays farmers to reduce crop production when income-supported crops are in excess supply. This report describes the basis for the government's policy of allowing federal lessees to participate in the income support program and estimates USDA payments to lessees during crop years 1988 and 1989.

Food Safety and Quality:
FDA Needs Stronger Controls Over the Approval Process for New Animal Drugs

GAO/RCED-92-63, Jan. 17 (18 pages).

About 80 percent of U.S. livestock and poultry are treated with animal drugs during their lifetime for therapeutic, reproductive, and production reasons. The Food and Drug Administration (FDA) is required to determine whether new animal drugs for use in food-producing animals like cows are safe and effective and whether products like milk will be safe for human consumption. In a pending case, FDA has accused a major drug company of manipulating data supporting a new animal drug. This episode has raised concerns about the adequacy of FDA's ability to ensure the integrity of manufacturer-supplied data. GAO found that FDA cannot ensure the integrity and accuracy of animal drug data because of weaknesses in its two main controls over data submitted by manufacturers to support the safety and efficacy of new animal drugs. FDA's inadequate procedures increase the chance that the agency might approve new drugs for food-producing animals on the basis of invalid, inaccurate, or fraudulent data.

Food Safety and Quality:
Limitations of FDA's Bottled Water Survey and Options for Better Oversight

GAO/RCED-92-87, Feb. 10 (19 pages).

In response to the February 1990 voluntary recall of benzene-contaminated Perrier mineral water and to gather information on proposed bottled water standards, the Food and Drug Administration (FDA) surveyed domestic and imported bottled waters. On the basis of preliminary survey results, FDA testified before Congress in April 1991 that the nation's bottled water was safe. GAO reviewed the adequacy of FDA's 1990 Bottled Water Survey. This report looks at whether (1) FDA's survey results were representative of the nation's bottled water supply, (2) FDA's tests covered all regulated contaminants, and (3) FDA's test for unregulated contaminants was warranted. GAO also identifies ways to improve oversight of the bottled water industry.

Farm Credit:
USDA's Implementation of the Farms for the Future Act of 1990

GAO/RCED-92-127, Feb. 14 (six pages).

The Agricultural Resource Conservation Program is a new effort to preserve farmland for future generations through federal loan payment guarantees and interest assistance. The Farmers Home Administration (FmHA), the agency to which the U.S. Department of Agriculture has delegated responsibility for administering the program, published on September 24, 1991, in the Federal Register proposed regulations to implement the program. Before FmHA published the final regulations, the 1991 amendments to the Farms for the Future Act changed the program and FmHA had to modify its proposed regulations. On February 4, 1992, FmHA published interim regulations in the Federal Register, making the program operational on that date. As of February 10, 1992, FmHA had not guaranteed any loans under the program.

Testimony

Food Safety: Difficulties in Assessing Pesticide Risks and Benefits, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-RCED-92-33, Feb. 26. (23 pages).

GAO testified on the difficulties in assessing the risks and benefits of pesticides used in food. Three federal agencies—the Environmental Protection Agency (EPA), the Food and Drug Administration, and the U.S. Department of Agriculture—share responsibility for providing pesticide regulatory services to both food consumers and providers. These services

are meant to screen out pesticides that present unreasonable risks and approve those that are beneficial. GAO makes three main points. First, assessing the risks and benefits of pesticides used in food is uncertain. Limitations in scientific methodologies and relevant data preclude precise estimates of the hazards, exposures, and benefits of pesticide use and prevent the government from assessing food safety as reliably as possible. Second, problems persist in collecting and managing data needed to develop more precise estimates of pesticide risks and benefits. Third, controversial policy issues continue to hamper pesticide regulation. For example, inconsistencies in the statutory provisions governing carcinogenic pesticide residues in food have not been resolved. GAO raises several larger policy issues, including (1) how much the United States wants to invest to reduce the uncertainty surrounding pesticides used on food and (2) whether the measurable gains of reducing this uncertainty will be worth the costs of doing so.

Budget and Spending

Impoundments: Comments on Proposed Deferrals of Fiscal Year 1992 Budget Authority

GAO/OGC-92-4, Feb. 8 (four pages).

On December 19, 1991, the President submitted to Congress his second special impoundment message for fiscal year 1992. This message reports three new deferrals and revises the amount of two deferrals already reported. GAO reviewed the deferrals and found them to be in accordance with the Impoundment Control Act. GAO also notes that an unauthorized withholding in the VA Major Construction account no longer exists. After GAO issued its October 1991 impoundment letter (GAO/OGC-91-12), the Department of Veterans Affairs (VA) deleted the renovation of Building Two at the VA Medical Center in Dallas, Texas.

Budget Issues: Compliance Report Required by the Budget Enforcement Act of 1990

GAO/AFMD-92-43, Feb. 14 (17 pages).

The Budget and Enforcement Act of 1990 requires GAO to certify that each order the President issues and each report the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) issue under

section 254 complies with the act's requirements or indicate the respects in which it does not. In GAO's opinion, the CBO and OMB reports substantially complied with the act except for OMB's Within-Session Sequester Report and the President's order implementing it. GAO believes that the OMB within-session sequestration was unnecessary. GAO also found several cases—minor in nature—in which either OMB or CBO, or both, were not in compliance with the act. GAO also discusses (1) some areas of the act that were interpreted differently by OMB and CBO, (2) other implementation issues, and (3) technical corrections Congress may want to make to the act to clarify certain areas and allow more precise implementation.

Business, Industry, and Consumers

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values

GAO/NSIAD-92-105, Feb. 27 (24 pages).

To overcome difficulties in managing its inventories, the Defense Department needs to change its inventory management culture so that more value and emphasis are placed on economy and efficiency. This report provides views from private sector experts on the techniques they use in changing or perpetuating an "organizational culture"—a term referring to the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members. GAO found that an organization's decision to change its culture is generally triggered by a specific event or situation, as was the case at Ford Motor Co. during the oil shocks of the 1970s and subsequent increases in international competition. The experts agreed that cultural change is a long-term effort that takes at least 10 to 15 years to complete. Company officials believe that two key techniques are of prime importance to successful cultural change. First, top management must be totally committed to the change in both words and action. Second, organizations must provide training that promotes and develops skills related to their desired values and beliefs. The nine companies GAO surveyed—AT&T, Corning, DuPont, Federal Express, Ford, IBM, Johnson & Johnson, 3M, and Motorola—also indicated that successful cultural change requires a combination of many techniques in addition to the two just mentioned, ranging from rewards to encourage behavior to the use of slogans to communicate values and beliefs.

Testimony

Insurance Regulation: The Failures of Four Large Life Insurers, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-92-13, Feb. 18. (28 pages).

GAO testified on the financial characteristics of four large insurance companies—Executive Life, its subsidiary Executive Life of New York, First Capital, and Fidelity Bankers—that were taken over by state regulators. These insurers have more than 900,000 policies with policyholders and annuitants in every state in the union. GAO notes that the reckless growth pursued by the four firms was supported by questionable business strategies. They were heavily invested in poor-quality assets and relied on phony financial reinsurance and money borrowed from parent companies to artificially inflate their surplus and mask their true financial condition. Without surplus relief reinsurance and borrowed surplus, the two Executive Life insurers would have been insolvent in the early 1980s while First Capitol and Fidelity Bankers would have been undercapitalized. Despite untimely, incomplete, and inaccurate information, state regulators were aware of the troubled condition of the four insurers before the companies were taken over but did not act to effectively stem the financial deterioration of the companies or minimize losses. State regulators moved to take over the insurers only after the companies were plagued by policyholder runs. GAO is still reviewing the performance and capabilities of the state regulators, so these observations do not represent the agency's final assessment.

Civil Rights

Peace Corps:
Progress in Minority Representation

GAO/NSIAD-92-76, Jan. 13 (12 pages).

In May 1990 (see GAO/NSIAD-90-122), GAO reported that only about seven percent of Peace Corps volunteers were minorities and that recruiters had neither the incentives nor the tools to achieve minority recruitment goals. Minority representation among volunteers increased to about 12 percent by July 1991; however, the Peace Corps has not developed demographic and market data to help set realistic area office recruiting goals and to help recruiters locate qualified minorities. Also, recruiters' performance was still evaluated mainly on the basis of the number of volunteers recruited. Performance evaluations did not adequately consider factors like conducting minority outreach activities that may lead to greater

minority recruitment. Minority representation among Peace Corps staff has changed very little, a situation Peace Corps officials attribute to the low number of minorities among returned volunteers, historically the source of most staff employees. Since the completion of this report, the Peace Corps has taken several steps to address the issues raised by GAO.

Education

Adolescent Drug Use Prevention: Common Features of Promising Community Programs

GAO/PEMD-92-2, Jan. 16 (81 pages).

GAO examined the design, implementation, and results of 138 community-based drug abuse education programs for adolescents. While definitive evidence is not yet available on program effectiveness, some programs appear to be making much more headway than others. GAO found similarities in how the most promising programs deliver services, even though the services themselves were often quite different. GAO identified six features common to programs associated with high levels of participant enthusiasm and attachment; these were (1) a comprehensive strategy, (2) an indirect approach to drug abuse prevention, (3) the goal of empowering youth, (4) a participatory approach, (5) a culturally sensitive orientation, and (6) highly structured activities. Programs experienced common problems in six areas of program implementation: (1) maintaining continuity with their participants, (2) coordinating and integrating their service components, (3) providing accessible services, (4) obtaining funds, (5) attracting necessary leadership and staff, and (6) conducting evaluations.

Student Financial Aid: Characteristics of the Jobs Provided Through the College Work-Study Program

GAO/HRD-92-72BR, Feb. 21 (23 pages).

This report provides information on jobs funded through the College Work-Study Program, which provides part-time employment to students needing financial help to meet college expenses. Over a one-year period, 95 percent of students' earnings from the program derived from on-campus jobs. College officials indicated that these jobs, such as telephone answering and filing, were often not directly related to the students' fields of study. While only five percent of the program earnings

nationwide resulted from off-campus employment, officials said that these jobs, such as tutoring elementary school students, were often more directly related to the students' fields of study. Nationally, only 0.2 percent of program earnings went to students working in Community Service Learning program jobs, which serve the needs of low-income people. Although many institutions did not have such a program, some of their work-study jobs seek to help low-income individuals.

Employment

Hired Farmworkers: Health and Well-Being at Risk

GAO/HRD-92-46, Feb. 14 (40 pages).

Hired farmworkers—a group of about 1.5 to 2.5 million laborers—are not adequately protected by federal laws, regulations, and programs, leaving their health and well-being at risk. Hired farmworkers often go into fields sprayed with pesticides without having any knowledge of the chemicals they are exposed to or the possible health consequences. Many farmworkers work in fields without drinking water, hand-washing facilities, or toilets—a situation with potentially serious health hazards. Young children are allowed to operate tractors and do other hazardous farm chores. In addition, they may be more susceptible than adults to the harmful effects of pesticides. Many hired farmworkers, particularly migrant farmworkers, may not get needed health care because they do not receive medical assistance from Medicaid and the Migrant Health Program. Hired farmworkers are also at greater risk than other workers of getting fewer Social Security benefits than they should, which means less financial support when they retire or become disabled.

Testimony

Antirecessionary Job Creation: Lessons From the Emergency Jobs Act of 1983, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HRD-92-13, Feb. 6 (10 pages).

Some form of countercyclical job creation program has been enacted during four of the last five recessions. In response to the 1981-82 recession, the Emergency Jobs Act of 1983 provided a $9 billion supplement to 77 existing federal programs to (1) provide productive employment for jobless Americans, (2) hasten or initiate federal projects

and construction of lasting value, and (3) provide humanitarian assistance to the indigent. The vast majority of the funds were made available to public works programs to build water systems, sewers, and subsidized housing. GAO testified, however, that the act was neither effective nor timely in relieving the high unemployment caused by the recession. Funds were spent slowly, as is typical for public works programs, and few jobs were created when most needed in the economy. Further, unemployed persons received a relatively small proportion of the jobs provided, and some of the states most severely affected by the recession were among those that received the least assistance.

Occupational Safety and Health: Worksite Safety and Health Programs Show Promise, by Linda G. Morra, Director of Education and Employment Issues, before the House Committee on Education and Labor. GAO/T-HRD-92-15, Feb. 26 (13 pages).

In light of congressional consideration of H.R. 3160, the Comprehensive Occupational Safety and Health Reform Act, GAO testified on the value of comprehensive safety and health programs for U.S. workers. Although inconclusive, available information—including the views of enforcement officials, employers, and employee representatives—suggests that such programs can improve safety and health at the worksite. GAO found that reservations about requiring employers to have such programs arose primarily from concerns about program implementation rather than program worth. On the basis of its review of experiences in states requiring such programs, GAO believes that implementation problems can be overcome. Many employers are already required to have written prevention programs for specific workplace hazards, suggesting that safety and health programs may require little additional effort. Still, some uncertainty remains about the difficulties employers in various sized firms and different industries would have in implementing required programs. While data limitations preclude GAO from recommending that such programs be required for all employers, available information suggests that potential reductions in fatalities, injuries, and illnesses would likely justify any additional burden associated with implementing these programs, at least for high-risk employers—those with high injury rates and a history of safety and health violations. The Occupational Safety and Health Administration needs to collect enough information on program implementation experiences to determine if the requirements should be extended to other employers.

Energy

Electricity Supply: Potential Effects of Amending the Public Utility Holding Company Act

GAO/RCED-92-52, Jan. 7 (57 pages).

Seeking to reap the potential benefits of greater competition, proposals to exempt some electric generators from the ownership restrictions of the Public Utility Holding Company Act of 1935 could alter the structure of the nation's $170 billion electric utility industry. This report evaluates how the proposals might affect (1) the reliability and cost of the U.S. electricity supply and (2) state and federal regulation of electric utilities.

Nuclear Health and Safety: Radiation Events at DOE's Idaho National Engineering Laboratory

GAO/RCED-92-64FS, Jan. 13 (17 pages).

The Idaho National Engineering Laboratory, established in 1949, is an engineering facility whose primary function is to build, test, and operate nuclear reactors and support facilities. During the 1950s and 1960s, the Laboratory released radioactive materials into the atmosphere on several occasions. This fact sheet provides information on nuclear events at the Laboratory through the 1980s and on the extent to which the Department of Energy considered such events in determining the award fee paid to the Laboratory contractor. GAO focused on (1) airborne radiation release that may have exposed the public to radiation levels greater than the current public exposure standards and (2) events that resulted in one or more workers receiving an exposure exceeding the current annual standards for protecting workers from radiation.

Nuclear Waste: Weak DOE Contract Management Invited TRUPACT-II Setbacks

GAO/RCED-92-26, Jan. 14 (64 pages).

The Department of Energy (DOE) spent about $3 million to buy 24 defective shipping containers intended to transport transuranic waste to storage sites in New Mexico. The containers were built under a subcontract with Westinghouse, DOE's managing contractor for the Waste Isolation Pilot Plant. While smoothing welded surfaces on the containers, the contractors ground the walls too thin to meet the Nuclear Regulatory Commission's

(NRC) approved design. NRC later rejected the thin-walled containers. Concerned that the contractor might declare bankruptcy and jeopardize the opening of the plant, DOE allowed Westinghouse to enter into an agreement with the contractor to build 15 NRC-approved containers and purchase the defective ones. This report details several ineffective contracting practices that led to DOE's purchase of the defective containers. Ineffective oversight by Westinghouse and DOE exacerbated the situation. Historically, DOE has given its contractors wide latitude but has done little oversight. Although DOE is trying to improve its contract-management approach, instituting effective, lasting changes will be difficult.

International Energy Agency: Response to the Oil Supply Disruption Caused by the Persian Gulf Crisis

GAO/NSIAD-92-93, Jan. 21 (14 pages).

The rapid increase in worldwide oil prices after Iraq's invasion of Kuwait in 1990 focused renewed attention on how the use of emergency oil stocks held by members of the International Energy Agency can mitigate the effects of an oil supply disruption. This report reviews (1) the International Energy Agency's decision on whether to draw down emergency oil stocks in response to the disruption in oil supplies following the Iraqi invasion, (2) the U.S. policy on restraining oil demand, (3) the U.S. position on domestic sharing of oil supplies in an emergency and oil companies' views on that position, and (4) the extent of Department of Energy efforts to educate the American people about U.S. participation in the International Energy Agency.

Testimony

Nuclear Weapons Complex: Major Safety, Environmental, and Reconfiguration Issues Facing DOE, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Senate Committee on Governmental Affairs. GAO/T-RCED-92-31, Feb. 25 (17 pages).

The Department of Energy (DOE) faces a monumental task in addressing the legacy of safety and environmental problems created by almost a half century of nuclear weapons production and, at the same time, addressing important issues about the size and structure of the complex in light of a substantially reduced nuclear weapons arsenal. The cost will be large and

the difficulties immense. This testimony discusses the (1) progress DOE has made in developing and implementing a safety policy and culture, (2) major challenges DOE faces in cleaning up the weapons complex, and (3) key issues DOE faces in reconfiguring the complex in light of weapons reductions.

Cleanup Technology: DOE's Management of Environmental Cleanup Technology, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Environment, House Committee on Science, Space, and Technology. GAO/T-RCED-92-29, Feb. 26 (12 pages).

To clean up its nuclear weapons complex in a cost-effective way, the Department of Energy (DOE) believes that it needs improved cleanup technologies. As a result, it has begun a technology development program and has started funding eight integrated cleanup research and development projects. The number of these demonstration projects is expected to change as DOE reassesses its program strategy. Nonetheless, DOE's focus to date has been on setting up the program, not on its future management. GAO testified that DOE needs to develop key management tools fundamental to the program's effectiveness. These tools include measurable performance goals, overall project cost estimates and schedules, and major decision points. Without them, DOE will have problems in measuring the technology development program's progress, informing Congress about the investments being made and funding required, and weeding out poorly performing projects that are no longer beneficial.

Environmental Protection

Water Pollution: More Emphasis Needed on Prevention in EPA's Efforts to Protect Groundwater

GAO/RCED-92-47, Dec. 30 (57 pages).

Groundwater supplies about 40 percent of the American people with their drinking water, is used extensively by agriculture and industry, and supports sensitive surface water ecosystems. Once groundwater is contaminated, it is extremely expensive and difficult, if not impossible, to clean up. The Environmental Protection Agency's (EPA) new groundwater strategy includes initiatives—involving financial and technical assistance—to help states establish comprehensive groundwater protection programs. The strategy underscores the need to prevent

groundwater contamination and stresses attainment of a greater balance between prevention and remediation activities. Nevertheless, the potential for success in implementing the new approach is limited by some of the same barriers that restricted earlier EPA efforts to prevent groundwater contamination. Most state and regional officials are concerned that while EPA's new approach appears to emphasize prevention, it is not accompanied by a meaningful shift in funding priorities. Without such a shift, it will be hard for the agency to provide more assistance to help states establish groundwater programs, and to improve its own management and accountability systems to effectively measure and track progress in protecting groundwater.

Toxic Substances: Information on Costs and Financial Aid to Schools to Control Asbestos

GAO/RCED-92-57FS, Jan. 15 (22 pages).

Airborne asbestos fibers have been shown to cause lung cancer and other serious respiratory diseases. The Environmental Protection Agency (EPA) estimates that about 30,000 schools could be exposing as many as 15 million children and 1.4 million employees to asbestos. This fact sheet presents information on federal requirements to ensure that school children and employees are not exposed to dangerous levels of asbestos fibers during asbestos removal. In addition, on the basis of a sample of 15 school districts in five states—Illinois, New Jersey, New York, Ohio, and Pennsylvania—GAO discusses actions that school districts have taken to deal with asbestos problems, including (1) whether the schools are removing asbestos material or managing it in place; (2) what it costs to schools and how much financial assistance they have received to abate asbestos; and (3) whether the school districts are using the same firms to develop asbestos management plans and do the abatement work, which raises questions about conflicts of interest.

Water Pollution: State Revolving Funds Insufficient to Meet Wastewater Treatment Needs

GAO/RCED-92-35, Jan. 27 (83 pages).

By amending the Clean Water Act in 1987, Congress dramatically changed the federal role in financing wastewater treatment. Responsibility for

financing more than $83.5 billion in wastewater treatment needs was shifted to the states and, in exchange, the federal government was authorized to provide $8.4 billion in capitalization grants for state revolving funds over six years. GAO concludes that although the state revolving fund program is structurally sound, several provisions of the 1987 amendments as well as administrative problems may impede the efficiency and effectiveness of its implementation. These include (1) statutory restrictions on using the funds to buy land on which to build wastewater treatment plants; (2) a shortage of Environmental Protection Agency staff with enough financial expertise to assist and oversee state programs effectively; and (3) a maximum loan term that, in many cases, can be shorter than the design life of the plant and equipment financed through the funds. GAO is concerned that the program will not generate enough funds to close the tremendous gap between wastewater treatment plant needs and available resources. States estimate that the funds will meet only a small percentage of their needs and will pose particular problems for small communities. Many small communities cannot repay loan assistance at any interest rate and cannot compete with larger communities for loans.

Environmental Protection: Rocket Tests in Mississippi to Be Heavily Restricted

GAO/NSIAD-92-86, Feb. 7 (18 pages).

This report explores environmental issues arising from the testing of the Advanced Solid Rocket Motor at the Stennis Space Center in Mississippi. GAO also discusses the environmental effects of shuttle launches on and near the Kennedy Space Center and follows up on how NASA implemented GAO's earlier recommendations (see GAO/NSIAD-91-146, Apr. 5, 1991).

Hazardous Waste: Management of Maquiladoras' Waste Hampered by Lack of Information

GAO/RCED-92-102, Feb. 27 (14 pages).

About 2,000 "maquiladoras"—companies that use materials imported into Mexico to produce finished goods for export—are now operating in Mexico, primarily along the U.S. border. Any hazardous substances resulting from U.S.-supplied materials are, by agreement, to be readmitted to the United States for ultimate disposal. While the maquiladora industry

has been operating for 25 years, Mexico's comprehensive environmental protection law is only four years old. U.S. and Mexican officials recognize the potential risks from the hazardous waste generated by maquiladoras, including contamination of groundwater on both sides of the border. This report (1) compares U.S. and Mexican hazardous waste laws and regulations, resources, and environmental practices and (2) assesses how the generation and ultimate disposal of hazardous waste from maquiladoras is handled.

Financial Institutions

Depository Institutions: Contracting Practices With Data Processing Servicers

GAO/GGD-92-19, Feb. 5 (42 pages).

Concerned that certain practices—such as vendors buying stock or making deposits in an institution or buying the institution's assets at an inflated rate—were being imposed as a condition of contract awards for various services, Congress prohibited financial institutions from entering into contracts for goods and services that could harm the safety and soundness of an institution. Congress was also concerned that these practices could have an anticompetitive effect, with large data processing vendors gaining an unfair competitive advantage over small firms. This report looks at (1) whether insured depository institutions are entering into contracts meeting the above description and (2) the extent to which such practices have an anticompetitive effect and should be prohibited.

Testimony

Bank and Thrift Fraud: Overview of the Federal Government's Response, by Harold A. Valentine, Associate Director for Administration of Justice Issues, before the Subcommittee on Consumer and Regulatory Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-92-12, Feb. 6 (20 pages).

The Attorney General announced in 1989 that wrongdoing in the savings and loan industry may be the biggest white-collar swindle in U.S. history. Yet the federal government has collected only $365,000 of the $83.6 million in court-imposed fines and restitution stemming from convictions for savings and loan fraud—less that one-half of one percent of the amount ordered. Congress has provided the Department of Justice with significant additional powers and resources to address the crisis. Justice, however, is more and more pressed; since 1987, the FBI has experienced a 54-percent

increase in its major case workload. In response to this enormous challenge, Justice has appointed a Special Counsel for Financial Institution Fraud, who is responsible for ensuring that financial institution fraud investigations and prosecutions are effectively carried out. GAO testified, however, that this individual has limited information and authority to achieve that end, raising concerns about the government's ability to provide leadership over such a national multiagency effort. This issue becomes more serious when considered against the backdrop of a financial institution fraud crisis of unprecedented proportion. GAO believes that the government needs a unified effort to attack a crisis of this magnitude and scope. Whether such an approach can come from the Special Counsel remains to be seen.

Resolution Trust Corporation: Performance Assessment for 1991, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Financial Institutions Supervision, House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-92-14, Feb. 26 (38 pages).

GAO testified that the Resolution Trust Corporation (RTC) continued its progress in resolving thrifts during 1991, but economic conditions and funding disruptions hampered RTC's scheduling and marketing efforts and contributed to RTC's resolving only 232 thrifts instead of the planned 268. To complete the resolution of an additional 150 to 300 failed thrifts, RTC will need more funds. RTC cannot, however, accurately predict the full cost of future resolutions. To meet RTC's future funding needs, GAO believes that Congress should eliminate the April 1, 1992, obligations deadline placed on the $25 billion authorized in December 1991. Congress should ask RTC to estimate its loss fund needs through the spring of 1993 and should provide RTC with enough funds on a timely basis to carry out its responsibilities during this period. RTC is quickly approaching the point when its inventory will consist mostly of hard-to-sell financial and real estate assets. Thus, it is becoming increasingly important that RTC have not only an aggressive and well-managed disposition program, but also systems and controls to ensure that its assets are protected, transactions properly executed and recorded, and operations conducted in accordance with established policies and procedures. While encouraged that the new chief executive officer (CEO) has begun a series of management projects to review and improve RTC's major programs, GAO is disappointed and concerned about RTC's progress in some areas, such as information system development and contracting oversight. These issues present the new CEO with management challenges that must be promptly addressed if RTC is to assure Congress

and the taxpayers that the thrift cleanup is being handled efficiently and effectively.

Financial Management

Market Value Accounting: Debt Investment Securities Held by Banks

GAO/AFMD-92-10, Dec. 23 (29 pages).

What effect will market value accounting have on banks' financial statements? This report deals with the implications of market value accounting for debt investment securities held by banks. GAO provides information on the (1) composition of bank investment security holdings and their significance in relation to total bank assets, (2) impact of fluctuating interest rates on the market values of bank debt investment security portfolios, and (3) maximum potential effects on earnings and security capital.

Market Value Accounting: Responses to Financial Accounting Standards Board Exposure Draft

GAO/AFMD-92-23, Jan. 31 (28 pages).

Concerns have been raised that the current use of historical cost accounting by banks has helped to mask both the true value of their assets and the need for earlier intervention by regulators to limit insurance fund losses. Also, 1991 legislation requires federal banking agencies to jointly develop a method for insured depository institutions to provide supplemental disclosure of the estimated fair market values of their assets and liabilities. This report provides a summary and analysis of the responses received by the Federal Accounting and Standards Board on its December 1990 exposure draft of a proposed Statement of Financial Accounting Standards entitled Disclosures About Market Value of Financial Instruments. The Board also issued a final accounting standard a year later—Statement of Financial Accounting Standards no. 107 entitled Disclosures About Fair Value of Financial Instruments. With some exceptions, the standard requires all entities to supplement their historical cost financial statements with disclosures about the fair values of financial instruments reported in those statements. The standard will be effective for 1992 financial statements, except for companies with less than $150

million in assets, which have another three years to comply with the standard.

Financial Audit: Export-Import Bank's 1990 and 1989 Financial Statements

GAO/AFMD-92-6, Feb. 3 (33 pages).

GAO audited the Export-Import Bank's financial statement for fiscal years 1990 and 1989. GAO concludes that the bank's financial statements are fairly presented in accordance with generally accepted accounting principles, and no material internal control weaknesses or compliance issues were disclosed by the audit. The bank's financial statements reflect its deteriorating financial condition and highlight the need for recapitalization to restore the bank's equity position to a positive level.

Financial Audit: U.S. Senate Health Promotion Revolving Fund's Financial Statements for 1990

GAO/AFMD-92-17, Feb. 18 (13 pages).

GAO audited the statement of financial position of the Senate Health Promotion Revolving Fund for 1990 and the related statements of operations and cash flows for that year. The Health Promotion Office provides health promotion education and classes, such as aerobics. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the Senate Health Promotion Revolving Fund for 1990 and the results of its operations and cash flows for that year in conformity with generally accepted accounting principles.

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act

GAO/AFMD-92-12, Feb. 19 (110 pages).

Two years after GAO revealed that weak accounting systems caused the Air Force to misstate by billions of dollars the actual costs of buying and operating weapons and maintaining inventories—more than 70 percent of the Air Force's noncash assets were unauditable—a followup review has found little progress in correcting problems. The Air Force's accounting

systems generate unreliable and inaccurate financial information that is of little value for either internal management purposes or external reporting. Billions of dollars of budgetary outlays are inaccurately recorded in the accounting system because budgeting and accounting systems are not integrated. Further, the Air Force's inventory systems do not correctly report either the quantities or values of high-dollar investment item inventories at the Air Force Logistics Centers. GAO also found that deficiencies in stock fund operations have reduced incentives for good inventory management and have contributed to sharply increased prices. The Defense Department, almost without exception, has agreed with GAO's findings and recommendations and has expressed a strong commitment to implementing corrective action. But GAO's current audits of Air Force financial systems show that initiatives planned or started at higher levels have not yet had a great deal of impact at the working level, where transactions are made and data is generated. The Comptroller General summarized this report in testimony before Congress; see:

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-92-5, Feb. 19 (23 pages).

Government Operations

Federal Recruiting: College Placement Officials' Views of the Government's Campus Outreach Efforts

GAO/GGD-92-48BR, Jan. 31 (37 pages).

During the past several years, considerable attention has been focused on the inability of federal agencies to compete with the private sector in attracting top college graduates. Studies by GAO, the Office of Personnel Management (OPM), and others have pointed to a lack of aggressive campus recruitment as one cause of the government's problems. To get information on federal campus recruiting in 1991, GAO surveyed placement officials at 40 randomly selected colleges and universities. Most of these officials said that while their students were interested in learning about federal employment opportunities, they might have been disappointed had they expected to meet with a number of recruiters representing different federal agencies. Twenty of the 40 officials said that federal agencies made the same number of campus visits in 1990-91 as they had during the previous academic year. Of the rest, more than twice as many said that the

number had decreased rather than increased. Furthermore, the bulk of visits were made by a comparatively small group of agencies. GAO found that the most active private companies made more campus visits than the most active federal agencies. For example, 21 private companies each visited 17 or more schools, a number matched by only two federal agencies. Surprisingly, nearly one-third of the placement officials had not heard of OPM's current examinations for entry-level professional and administrative jobs, even though they have been offered since June 1990.

Tennessee Valley Authority: Issues Surrounding Decision to Contract Out Construction Activities

GAO/RCED-92-105, Jan. 31 (42 pages).

The Tennessee Valley Authority (TVA) has traditionally used its own employees to do most of its engineering, construction, and modification work. In a significant departure from its long-standing reliance on an in-house construction work force, TVA announced a new policy in May 1991 to contract out all construction and major modification work. Concerns were raised that this decision could mean that thousands of TVA employees would lose their jobs. This report examines the (1) basis for TVA's decision to contract out construction and major modification work; (2) rationale for certain procedures TVA has followed in complying with the Government in the Sunshine Act; (3) effect of the decision on TVA employees, including the number and type of employees affected; and (4) effect of the decision on TVA operations.

Land Exchange: Phoenix and Collier Reach Agreement on Indian School Property

GAO/GGD-92-42, Feb. 10 (23 pages).

Legislation passed in 1988 authorized the Interior Department to swap its former Indian School property in downtown Phoenix for more than 100,000 acres of land near the Florida everglades owned by the Collier family along with $34.9 million in cash to set up two Indian trust funds. While most of the exchange conditions set by the law have been met, the City of Phoenix placed limitations on the uses of the Indian School land and the Barron Collier Co. had the right to match the highest bid. As a result, no competing bids for the property were received, and Congress' intent to test the value of the land by exposing the school site to

meaningful competitive bidding was not met. For several reasons, GAO cannot conclude that the Florida land, along with the $34.9 million, equals the value of the Colliers' portion of the Indian School property. For instance, the Florida land, which was possibly overvalued in 1988, has not been reevaluated since then, and its value could have fallen during the recession. GAO does not question the right of the City of Phoenix to decide how privately-owned property should be used. Yet the city's action in this case raises questions about whether a locality should have the authority to use zoning as a way of acquiring land in federal disposition programs without compensation to the federal government. Conflict arose during the Phoenix exchange because of efforts by the various entities to meet the intent of the exchange. Such natural conflict raises the issue of how future exchanges can be designed to accommodate the demands of several parties and still meet a market demand test.

Federal Health Benefits Program: Stronger Controls Needed to Reduce Administrative Costs

GAO/GGD-92-37, Feb. 12 (120 pages).

GAO believes that the administrative costs of the fee-for-service portion of the Federal Employees Health Benefits Program were higher than those costs for the other large health benefits program GAO reviewed primarily because the carriers were not given enough incentive to cut their operational expenses. Although small in relation to benefit payments, the program's administrative costs—more than half a billion dollars in 1988—are significant. GAO estimates that the potential annual savings could range from at least $35 million in the short term, by improving Office of Personnel Management (OPM) controls over the operational expenses of the fee-for-service plans, to about $200 million through legislative reforms that change the way contractors are chosen and paid. Incentives can be more effectively provided through the competitive selection of contractors. If the program were restructured to have competitively selected commercial insurers assume all or part of the insurance risk, GAO believes that the cost of the program's administrative services could be better controlled. Regardless of whether the program is legislatively reformed, however, OPM needs to do more to ensure that the carriers provide quality services at reasonable prices.

Federal Facilities: SEC Operations Center Lease Appears Reasonable

GAO/GGD-92-39BR, Feb. 14 (33 pages).

In September 1991, an anonymous Securities and Exchange Commission (SEC) employee alleged to Congress that the agency's relocation of office and computer space to Alexandria, Virginia, was inappropriate or questionable in several respects. GAO found that the allegations had little basis in fact and that the operations center lease appears to be a reasonable solution to several SEC facilities problems. Leasing space in Alexandria rather than downtown Washington, D.C., should result in long-term savings for the government. However, GAO also concludes that SEC's plans to enter into a succeeding lease for its present headquarters and to renovate that space should be more closely coordinated with the General Services Administration (GSA) so that the government's interests are protected should SEC select a new headquarters site and GSA take over the present headquarters.

Postal Service: Work Hour Allocations to High Growth and Low Growth Post Offices

GAO/GGD-92-54BR, Feb. 27 (19 pages).

In recent years, the U.S. Postal Service has been trying to hold down costs to improve the organization's financial picture. The allocation of clearly insufficient resources, however, can result in management pressures on employees to perform beyond their capacity. It can also exact a toll on labor-management relations and customer service. This briefing report examines U.S. Postal Service work hour allocations to its post offices in areas with high work load growth and its post offices in areas with low work load growth during fiscal year 1990. GAO uses statistical analysis of fiscal year 1990 work hour data for 515 large U.S. post offices to determine whether (1) work hour budget overruns were widespread among post offices in high work load growth areas and (2) post offices in these areas had more frequent overruns than post offices in low work load growth areas.

Federal Employees' Compensation Act: Need to Increase Rehabilitation and Reemployment of Injured Workers

GAO/GGD-92-30, Feb. 28 (48 pages).

Under the Federal Employees'Compensation Act, injured workers received more than $1 billion in compensation for lost wages during fiscal year 1990. However, the act also created a vocational rehabilitation program, involving counseling, training, and job placement, to get disabled employees back into the work force. Research shows and the Department of Labor's Office of Workers' Compensation Programs agrees that injured workers are much more likely to be successfully returned to work if rehabilitation efforts begin soon after injury. Of the cases GAO reviewed, however, less than 17 percent were referred for rehabilitation within seven months; many were not referred for two years or longer. The Department of Labor is attempting to expedite the screening and referral of injured workers for rehabilitation services. The Office of Workers Compensation Programs has relied extensively on contracts with private counselors to provide rehabilitation services. GAO believes that the Office should look into the possibility of increasing the use of state and in-house staffs to do some work now done by contract counselors. Opportunities also exist to increase the re-employment of injured workers. Closer coordination between counselors and injured workers' previous employers could help identify available training and jobs.

Testimony

Government Management: Major Issues Facing the Congress, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-92-4, Feb. 6 (38 pages).

In this testimony, the Comptroller General provides an overview of some of the major issues facing Congress and the government. A number of events—from the continuing recession to the end of the Cold War to the increasing economic dominance of Japan—present both challenges and opportunities. Unfortunately, the ability of the United States to respond to these developments is constricted by the persistently high deficits that the government continues to ring up. In the Comptroller General's view, the government must address the deficit problem and better manage the nation's affairs if the United States is to maintain its standard of living and its influence in a changing world. In particular, the Comptroller General discusses the (1) impact of the current recession on the federal government's receipts and the growth of the deficit; (2) major components

of the President's 1993 budget submission, including issues related to defense, health care, and financial institutions; (3) status of progress on the government's high-risk list; and (4) progress in implementing the Chief Financial Officers Act. In addition, he highlights some domestic areas deserving of close attention because of their long-term implication for the U.S. standard of living—deteriorating infrastructure and the quality of education.

Health

Nonprescription Drugs: Over the Counter and Underemphasized

GAO/PEMD-92-9, Jan. 10 (15 pages).

In reviewing Food and Drug Administration (FDA) regulations, GAO discovered several differences in how the agency ensures the safety and effectiveness of over-the-counter versus prescription drugs. GAO found that (1) unlike prescription drugs, many over-the-counter drugs have not been required to demonstrate their safety and effectiveness before being made available to the public; (2) during FDA inspections for compliance with current good manufacturing practices, FDA has statutory authority to inspect records and documents of prescription drug manufacturers but not those of over-the-counter drug manufacturers; and (3) FDA collectsless postmarketing surveillance information and conducts fewer product performance analyses for over-the-counter drugs than for prescription drugs. Postmarketing analyses routinely conducted for prescription drugs include patterns of usage, the magnitude of any identified problem and the appropriate level of response, and trends in adverse reactions.

Hispanic Access to Health Care: Significant Gaps Exist

GAO/PEMD-92-6, Jan. 15 (30 pages).

To make its September 1991 testimony on Hispanic access to health care more widely available, GAO has published its remarks as a blue cover report. For most Americans, the first step in accessing health care is acquiring health insurance. Hispanics, however, are much less likely than others to have such coverage. GAO found that type of employment and income are key determinants of the high rates of noninsurance among Hispanics. Public health insurance—Medicaid—is one potential solution for persons who cannot afford private health insurance. However,

Hispanics in some states, particularly Mexican-Americans, have problems in gaining access to Medicaid because of stringent state eligibility criteria. While data on the prevalence of disease among Hispanics is limited, it is clear that the high rate of noninsurance and an apparent scarcity of primary care facilities together make Hispanics particularly vulnerable to adverse health outcomes. Initial steps toward achieving a more rational health care delivery process for Hispanics involve more adequate health insurance coverage (both private and public), expanded neighborhood access to primary care, and major improvements in available data to allow appropriate planning and evaluation.

Health Care Spending: Nonpolicy Factors Account for Most State Differences

GAO/HRD-92-36, Feb. 13 (25 pages).

As it absorbs more and more of the national income, health care spending in the United States is coming under increasing scrutiny. Personal health care expenditures in this country totalled $585 billion, or $2,255 per capita, in 1990. Personal health care represented 10.7 percent of the U.S. gross national product in 1990, compared with 6.4 percent in 1970. To better understand what drives U.S. health care spending, this report determines the (1) per capita spending for health services in each state, (2) reasons for the differences in spending levels from one state to the next, and (3) extent to which state cost-containment policies have contributed to lowered health spending.

Medicare: Over $1 Billion Should Be Recovered From Primary Health Insurers

GAO/HRD-92-52, Feb. 21 (16 pages).

Medicare has already paid more than $1 billion in claims that should have been billed to private health insurers and another $1 billion in mistaken payments may be in the offing, but efforts to recoup the funds are hampered by deep budget cuts in Medicare safeguard efforts and time limits on recovery periods. During the last decade, Congress sought to reduce Medicare costs by making certain insurers the primary payers for beneficiary services. Amounts owed by other health insurers, however, are unrecovered or, in many cases, unidentified even after Medicare contractors have confirmed that beneficiaries have other health insurance

that provides primary coverage. Nationwide, large backlogs of mistaken payments remain unrecovered. Significant programs savings have gone unrealized because contractors do not have the money to recover mistaken payments under the Medicare secondary payer program. The fiscal year 1992 funding levels for the program are below the amounts provided in fiscal year 1989, yet the number of beneficiary claims is significantly higher, and large backlogs remain. Increased funding of program activities is essential if over $1 billion in mistaken payments are to be recovered.

Housing

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains

GAO/RCED-92-46, Jan. 31 (49 pages).

The underlying causes of the scandal uncovered in 1989 at the Department of Housing and Urban Development (HUD) involve long-standing and systemic deficiencies that remain largely unresolved, leaving the agency vulnerable to waste, fraud, abuse, and mismanagement. GAO notes three major departmentwide deficiencies—inadequate information and financial management systems, including computer systems; weak internal controls; and insufficient staffing. Until these deficiencies are corrected, there is no guarantee that abuses similar to those revealed two years ago will not recur. GAO concludes that only continued support and oversight can assure the public that HUD's resources are being used to effectively serve the intended beneficiaries.

Income Security

Pension Plans: Survivor Benefit Coverage for Wives Increased After 1984 Pension Law

GAO/HRD-92-49, Feb. 28 (18 pages).

In 1989 about 3 million widowed Americans age 65 and over received survivor benefits on the basis of the pension of a deceased spouse. Women comprised virtually all benefit recipients and received on average about twice the benefits of men with survivor benefits. Although most of these women also received social security, they were far less likely to have a pension based on their own employment. For many widows, survivor benefits from their husbands' pension plan constituted a significant part of

the retirement income received from employment-based sources. Millions of spouses will receive survivor benefits if they outlive married retired workers. As of 1989, about 3 of 5 million pensioners had retained the joint and survivor annuity. Moreover, since more men than women earn pensions and keep the joint and survivor annuity, wives have a greater chance of receiving survivor benefits than do husbands. Survivor benefit coverage for wives of private-pension retirees has increased since the 1984 Retirement Equity Act, as evidenced by a 15-percent rise in the rate at which married men retained the joint and survivor annuity after the legislation's spousal consent requirement took effect.

Information Management

Office of Thrift Supervision: Stronger System Controls Needed to Prevent Call Report Delays

GAO/IMTEC-92-22, Feb. 14 (seven pages).

Savings and loans prepare quarterly call reports for the Office of Thrift Supervision (OTS), the federal thrift regulator. These reports include detailed information on the operating condition of individual financial institutions, such as income and asset levels, and are vital to OTS' effective monitoring of the safety and soundness of the thrift industry. GAO found that OTS' inadequate information resource management controls resulted in a 39-day delay in the call reports for the quarter ending September 30, 1990. Specifically, system and human errors arose from a lack of OTS policies and quality assurance functions overseeing these activities. OTS has tried to strengthen its system controls, but, until the needed controls are fully implemented, OTS remains vulnerable to similar system problems and associated call report delays.

Computer Security: DEA is Not Adequately Protecting National Security Information

GAO/IMTEC-92-31, Feb. 19 (11 pages).

Weak computer security at the Drug Enforcement Agency (DEA) is putting classified information on informants and undercover operations at needless risk, potentially endangering lives and ultimately jeopardizing the war on drugs. DEA does not know what computers are processing national security information, and personnel are routinely processing classified information improperly on computers that are neither approved for such use nor appropriately safeguarded. Lax physical security makes these

weaknesses even more disturbing. Access to computer areas is poorly controlled and non-DEA employees lacking security clearances, such as janitors, work unescorted in these areas. In addition, floppy diskettes and classified documents are left unsecured. The Department of Justice has discovered similar problems at another important DEA field site.

Testimony

Information Dissemination: Innovative Ways Agencies Are Using Technology, by Jack L. Brock, Jr., Director of Government Information and Financial Management Issues, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-IMTEC-92-6, Feb. 19 (13 pages).

GAO testified on how some federal agencies, including the U.S. Geological Survey, Department of Commerce, Government Printing Office, Patent and Trademark Office, and Department of Agriculture, are using technology to provide the public with cheaper, faster access to a wider range of information. These technological applications enable users to search and manipulate information in ways never before possible on the printed page. As a result, users can create new information by selecting, combining, and arranging data within a matter of seconds. The applications that GAO discusses were developed using compact disc-read only memory, bulletin board systems, voice messaging/facsimile, and floppy discs.

International Affairs

Israel:
U.S. Loan Guaranties for Immigrant Absorption

GAO/NSIAD-92-119, Feb. 12 (42 pages).

Israel was expected to certify in February 1992 that it used the $400 million in U.S. loan guaranty to finance more than 12,000 loans valued at about $425 million for Soviet immigrant housing mortgages within Israel's pre-1967 borders. Such use would be consistent with the key provisions of the guaranty. Because of the fungibility of the money, however, other Israeli government funds were made available for use as the government determined, including use in the occupied territories. Under the terms of the loan guaranty, Israel agreed to provide periodic data on its spending in the occupied territories and settlement activities. So far, however, Israel has provided no information on spending in the occupied territories and only incomplete information on settlement activities. Israel does not require Soviet immigrants to settle in the occupied territories, and it does

not offer special incentives for them to do so. However, Israel's stated policy is to encourage such settlements in general, and it offers many incentives and allowances for this purpose to all Israelis, including Soviet immigrants. The State Department estimates that as many as 8,800 of the Soviet immigrants who entered Israel in 1990 have settled in the occupied territories, including East Jerusalem. According to GAO, Israel's estimate is reasonable that about one million Soviet Jews will immigrate to Israel during the current wave. No consensus exists, however, on how quickly this level will be reached. GAO projects that if the United States provides the $10 billion in loan guaranties Israel has requested, Israel will be able to fully service its external debt and to continue its past record of payment under most foreseeable circumstances. Yet the large size of these guaranties makes them more risky to the U.S. government. The more fully and rapidly Israeli economic reforms are adopted and the more closely Israel follows its strategy to employ new immigrants in the private rather than public sector, the stronger Israel's ability to repay the loans will be.

Export Promotion:
Federal Programs Lack Organizational and Funding Cohesiveness

GAO/NSIAD-92-49, Jan. 10 (10 pages).

The federal government's export promotion programs, designed to encourage U.S. companies to sell goods or services abroad, provide business counseling, information, and training; conduct market research services; organize trade missions and trade fairs; and give export financing assistance. This report assesses the (1) rationale for and the resources devoted to these programs and (2) adequacy of recent attempts to consolidate and streamline them. GAO concludes that the government's present approach to export promotion lacks coherence because of the lack of an overall strategy to guide agency efforts. As a result, the government lacks reasonable assurances in today's highly competitive economic environment that its export promotion resources are being used to emphasize sectors, regions, and programs with the highest potential return.

International Trade: Agricultural Trade Office's Role in Promoting U.S. Exports Is Unclear

GAO/NSIAD-92-65, Jan. 16 (48 pages).

The U.S. Department of Agriculture's (USDA) Foreign Agricultural Service runs a network of 13 agricultural trade offices worldwide at an annual cost of $4.7 million. Congress has authorized USDA to open up to 25 trade offices to place more emphasis on market development overseas. This report (1) determines the kinds of activities performed by these offices, (2) assesses the criteria used to select sites, (3) evaluates how well agricultural trade offices are carrying out their market development mission, and (4) identifies needed operational and management improvements.

Security Assistance: Shooting Incident in East Timor, Indonesia

GAO/NSIAD-92-132FS,
Feb. 18 (18 pages).

In November 1991, the Indonesian Armed Forces shot and killed from about 50 to over 100 civilians in East Timor, Indonesia. This fact sheet provides information on the (1) events surrounding the shooting; (2) actions taken by the Indonesian government after the incident; (3) positions of the International Military Education and Training (IMET)-trained Indonesian Army personnel in the East Timor command structure and Indonesian commissions charged with investigating the episode; and (4) recent proposals for additional IMET training for soldiers. Under the IMET Program, the United States funds the training of foreign military personnel in areas like professional military education, management, and—through observer training—U.S. military techniques and procedures.

Foreign Assistance: AID's Population Program Evaluations Have Improved, but Problems Remain

GAO/NSIAD-92-48, Feb. 21 (nine pages).

In May 1990, GAO reported (see GAO/NSIAD-90-112) that Agency for International Development (AID) program evaluations for population assistance efforts had been "unsystematic, uncoordinated, of uneven

quality, and have had relatively little influence on project design and management." While AID has improved its population program evaluation process since that report, problems concerning the consistency and use of evaluation results remain. It is hard for AID or others to evaluate the progress and success of its population assistance program because of the lack of agreement within the agency about the program's objectives; therefore, evaluations are less meaningful and useful in helping senior management make agencywide programming and funding decisions.

Justice and Law Enforcement

Antitrust: Information on Criminal Cases

GAO/GGD-92-21FS, Dec. 17 (22 pages).

The Department of Justice's Antitrust Division investigates and prosecutes civil and criminal violations of federal antitrust laws. This fact sheet provides information on the Division's criminal antitrust enforcement efforts, in particular its enforcement of the Sherman Antitrust Act of 1890, which makes illegal any contract, monopolization, or conspiracy that results in the restraint of trade or commerce. GAO (1) provides information on the Division's policies and practices for identifying, selecting, and investigating criminal antitrust violations; (2) profiles complaints and leads the Division decided not to investigate; and (3) profiles closed criminal investigations.

Drug Control: Communications Network Funding and Requirements Uncertain

GAO/NSIAD-92-29, Dec. 31 (42 pages).

The steep rise in federal drug interdiction activity during the 1980s generated demand for better communication among drug enforcement agencies. Consequently, Congress directed the Defense Department to integrate U.S. command, control, communications, and technical intelligence assets used for drug interdiction into an effective communications network. DOD has contributed significant technical and financial support toward implementing the National Telecommunications Master Plan for Drug Enforcement and, by doing so, has made progress toward integrating an effective interdiction communications network. However, it is unclear when the network will be finished. Neither the master plan nor implementation plan specify a schedule or time goal for

acquiring network equipment, most of the equipment required by the plans has not been procured, budget constraints leave future funding for equipment uncertain, and equipment requirements have not been fully determined. GAO calculated that at current equipment funding rates, it will take until fiscal year 2000 to complete the network. Furthermore, budget constraints and additional requirements could extend the completion time. DOD's Anti-Drug Network has enhanced communications among interdiction and intelligence organizations, and planned system improvements should further enhance the situation.

Immigrants in Indiana: Northwest Indiana Compared to Other Parts of the State

GAO/GGD-92-32FS, Jan. 10 (11 pages).

This fact sheet compares the percentages of immigrants in the Northwest region of Indiana to the percentages in other areas of the state. Immigrants are defined as persons who come to the United States to become permanent residents. Immigrants who want to become U.S. citizens file naturalization petitions with the U.S. Immigration and Naturalization Service. Specifically, GAO provides information on both immigrants who live in Indiana and naturalization petitions filed in the U.S. District Court for the Northern District of Indiana.

Testimony

The Drug War: Counternarcotics Programs in Columbia and Peru, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittee on Terrorism, Narcotics, and International Operations, Senate Committee on Foreign Relations. GAO/T-NSIAD-92-9, Feb. 20 (14 pages).

This testimony summarizes the results of two GAO reports issued in September and October 1991 (GAO/NSIAD-91-296 and GAO/NSIAD-92-36, respectively) on U.S. counternarcotics programs in Columbia and Peru. GAO indicated that the United States was farther along in implementing the Andean Strategy in Columbia than in Peru because of the Columbian government's commitment to combat drug trafficking. Peru must overcome serious difficulties in fighting the drug war before the strategy can become effective. In addition, the United States must strengthen its oversight in both countries to ensure that military and law enforcement aid is used efficiently, effectively, and as intended. Finally, human rights abuses are a major concern in both countries.

National Defense, Security, and Military Procurement

Patriot Missile Defense: Software Problems Led to System Failure at Dhahran, Saudi Arabia

GAO/IMTEC-92-26, Feb. 4 (16 pages).

Because of a software problem in the Patriot missile defense system, the Patriot battery at Dhahran, Saudi Arabia, failed to track and intercept an incoming Iraqi Scud missile that later struck an Army barracks, killing 28 Americans. The computer problem led to an inaccurate tracking calculation that became worse the longer the system operated. At the time of the incident, the battery had been operating continuously for more than 100 hours. By then, the inaccuracy was serious enough to cause the system to look in the wrong place for the incoming Scud. The Patriot had never before defended against a Scud missile nor was it expected to operate continuously for long periods of time. Two weeks before the incident, Army officials received Israeli data indicating some loss in accuracy after the system had been running for eight consecutive hours. Consequently, Army officials modified the software to improve the system's accuracy. The modified software did not reach Dhahran, however, until February 26, 1991—the day after the Scud episode.

Biological Warfare: Role of Salk Institute in Army's Research Program

GAO/NSIAD-92-33, Dec. 19 (19 pages).

Since 1978, the Army has been contracting with the Salk Institute, a private nonprofit organization in Swiftwater, Pennsylvania, to develop, produce, test, and store vaccines to protect U.S. forces against biological warfare. GAO found, however, that most of the Institute's work has not involved developing and producing vaccines to protect U.S. forces against "validated" biological warfare threat agents—substances that the intelligence community has confirmed are being developed or produced as a weapon. Instead, the Army has directed the Institute to use the bulk of available funds for work on non-validated biological threat agents. The Army has limited commercial alternatives to the Institute for developing vaccines because the Institute has a unique vaccine production facility. On the other hand, the Army could improve and expand its in-house vaccine production facilities to meet its needs, although the cost of such expansion is unknown. The Army has paid the Institute about $5.5 million more in fees for the use of its facilities than what is authorized by regulation. In determining the fees, the Army has followed cost principles

established for commercial organizations rather than for nonprofit organizations. Other contracts may be similarly affected.

Persian Gulf: Allied Burden Sharing Efforts

GAO/NSIAD-92-71, Dec. 30 (23 pages).

As of November 15, 1991, allied countries had pledged about $54 billion in cash and in-kind support, such as equipment and transportation, to the United States and contributed about $50.5 billion, or 94 percent of their pledges. Majors contributors were Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea. As of October 31, 1991, the Defense Department (DOD) reported receipts of in-kind support valued at about $5.6 billion. In valuing the support, DOD officials generally relied on information from the contributing countries; however, in some cases, such data were unavailable and, therefore, they estimated the value. As a result, the assigned value may differ from the actual cost incurred by the contributor. In addition to their U.S. contributions, allied contributors provided various other types of support during the crisis. The European Commission and 24 nations participated in the Gulf Crisis Financial Coordination Group, established by the U.S. President, and pledged about $16.2 billion in economic assistance to countries affected by the crisis. As of October 1991, actual contributions totaled about $10.6 billion. Allied countries have also become part of the multinational military force and have provided financial and other assistance, through bilateral arrangements, to affected countries and international organizations involved in refugee relief efforts.

Desert Shield/Storm: U.S. Transportation Command's Support of Operation

GAO/NSIAD-92-54, Jan. 9 (13 pages).

During Operation Desert Shield, actual deliveries of troops and supplies lagged behind the requirements of the Central Command, which oversaw the planning and movement of needed troops, equipment, and supplies. However, the Transportation Command, which supported the Central Command, was able to substantially meet requirements before the armed conflict with Iraq began. Due to the absence of hostilities during deployment, the Transportation Command had more than five months to overcome initial problems and deliver the needed supplies and forces before offensive operations started. The Transportation Command's

support of the deployment needs of the Central Command was not accomplished, however, as rapidly, efficiently, and effectively as intended. The Transportation Command's management of wartime theater transportation was hampered by the lack of (1) an operational plan for a Desert Shield-type contingency; (2) agreed-upon operating procedures and lines of responsibility for a wartime situation among the Command, its components, and the services; and (3) a fully implemented central deployment data base with accurate and complete transportation information. Despite these problems, the airlift and sealift moved thousands of personnel and millions of tons of cargo. Overall, the component units of the Transportation Command performed responsively, at a high operating tempo, and with an overall high utilization and reliability of aircraft and ships. The Defense Department has prepared several proposals to address the problems it encountered during the deployment.

National Security: The Use of Presidential Directives to Make and Implement U.S. Policy

GAO/NSIAD-92-72, Jan. 14 (six pages).

GAO could not analyze national security directives issued by the Bush Administration because the National Security Council (NSC) would not give GAO access to them. While GAO does not know how many directives have been issued, 51 were issued through the fall of 1990. GAO examined unclassified NSC summaries of five directives issued by the administration and concludes that four of them make U.S. policy. In addition, a Congressional Research Service report notes that the administration also issued a classified national security directive requiring a study of future U.S. international broadcasting policy. NSC does not systematically or routinely inform Congress about national security directives before they are issued. Also, the Bush Administration has not declassified any directives. Unlike executive orders, national security directives embody foreign and military policy-making guidance rather than specific instructions, are classified, are usually directed only to NSC and the most senior executive branch officials, and do not appear to be issued under statutory authority conferred by Congress and thus do not have the force and effect of law.

Operation Desert Storm: Improved Air Force Procedures Are Needed for Special Project Supply Orders

GAO/NSIAD-92-81, Jan. 31 (10 pages).

Air Force units did not always cancel outstanding backorders authorized for Desert Storm operations as soon as they should have. Four months after combat ceased, Desert Storm backorders valued at more than $50 million were still outstanding. As a result of GAO's review, the Air Force (1) canceled about $3.7 million in backorders for items no longer needed and (2) redirected about $4.4 million in backorders originally authorized to support Desert Storm to meet other needs. The failure to detect or cancel these invalid backorders resulted from weaknesses in Air Force procedures and practices. Special project codes are routinely authorized for Air Force units, and backorders will continue to be established for special projects. Unnecessary procurement, repair, and transportation costs can be avoided in the future by establishing procedures and practices to ensure that invalid backorders are promptly canceled.

Defense Management: Implementation of the Defense Acquisition Workforce Improvement Act

GAO/NSIAD-92-97, Jan. 31 (10 pages).

The Defense Department's weapon system acquisition process has been heavily scrutinized and debated for years. Legislation passed in 1990—the Defense Acquisition Improvement Act—seeks to professionalize DOD's acquisition work force by establishing education, training, and other qualification requirements for these employees. The act allows DOD officials to waive specific qualification requirements for program managers and other acquisition personnel. This is GAO's first report on DOD's compliance with the waiver provisions.

Defense Force Management: Limited Baseline for Monitoring Civilian Force Reductions

GAO/NSIAD-92-42, Feb. 5 (24 pages).

Reflecting congressional concerns about the Defense Department's (DOD) management of its civilian workforce, the National Defense Authorization Act for Fiscal Year 1991 requires DOD to submit a five-year master plan for

industrial and commercial workers, projecting work load, employment levels by worker category, employee furloughs, and involuntary separations. The legislation also requires DOD to develop guidelines for reducing the work force by setting priorities for reductions for categories of workers. This report (1) evaluates the accuracy and completeness of the five-year Civilian Employment Master Plan that DOD submitted to Congress in April 1991 and determines whether it provided a baseline for monitoring force reductions and (2) examines the force reduction guidance DOD issued in response to a congressional mandate, as well as its likely impact.

Defense Force Management: Composition of Groups Affected by Fiscal Year 1991 Force Reductions

GAO/NSIAD-92-31, Feb. 5 (eight pages).

Actions by the military services to reduce active duty military personnel required for fiscal year 1991 generally involved reducing accessions, forcing early retirement, and inducing the voluntary departure of personnel eligible for retirement. This report compiles information on (1) selected actions by the services to reduce active duty strength for fiscal year 1991 and (2) the gender and racial composition of the military personnel who may be affected by the service actions.

Defense Industrial Base: DOD Needs Better Method of Identifying Critical Technology Funding

GAO/NSIAD-92-13, Feb. 5 (10 pages).

The Defense Department (DOD) is required to prepare an annual Critical Technologies Plan beginning in 1989 that identifies technologies considered critical to the long-term superiority of U.S. weapon systems. During congressional hearings, DOD was unable to provide detailed information on the funding of the critical technologies. This lack of information was cited during the hearings as a major obstacle in effectively managing the defense industrial base. GAO found that DOD's methodology for identifying the funding for the designated critical technologies did not include (1) collecting data on the extent to which contractors use their Independent Research and Development/Bid and Proposal funds to invest in the critical technologies, (2) asking the military services to link funding to the specific technical goals contained in the

plan, and (3) developing data on actual expenditures. In addition, the military services and defense agencies used different bases in responding to requests for information.

Army Inventory: Need to Improve Process for Establishing Economic Retention Requirements

GAO/NSIAD-92-84, Feb. 27 (27 pages).

About $4.7 billion of the Army's $24.9 billion total wholesale inventory is not needed to support current operating and warehouse reserve requirements. Of this $4.7 billion inventory, items worth about $1.8 billion—about 38 percent—are being retained because it is thought more economical to keep them than to dispose of them. An economic model the Army developed in 1969 to determine economic retention requirements may provide a sound basis for making economic retention decisions. However, the computer programs that implement the original model have been modified many times over the years and now include errors and several nonmodel-based computations. As a result, economic retention requirements have been established (1) for items that do not meet the criteria for economic retention, (2) for items that the Army no longer intends to support, and (3) at levels higher than those that would have been set by the model.

Testimony

Operation Desert Storm: Full Medical Capability Not Achieved, by Richard Davis, Director of Army Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-NSIAD-92-8, Feb. 5 (18 pages).

If the Persian Gulf ground war had lasted much longer than it did, the Army would have been ill-prepared to adequately care for wounded soldiers because many Reserve medical personnel were unfit or untrained, equipment and supplies were outmoded or nonexistent, and personnel information systems used to identify doctors and nurses for assignment to active units contained incomplete and outdated information. Many of the doctors and nurses who were scheduled to go did not do so for a variety of reasons. The unit's peacetime status reports did not, however, adequately reflect this situation. Many doctors and nurses in active, Reserve, and National Guard units had not trained during peacetime to perform their wartime mission. Field training was lacking and, as a result, doctors and

nurses were unfamiliar with their unit's mission or equipment. The Army also faced equipment and other logistical support problems. By most accounts, the Army provided adequate care for those soldiers in need. However, had the predicted number of casualties occurred and had the ground war started earlier or lasted longer, the Army would have been unable to deliver adequate care.

Defense Inventory: DOD Needs to Continue Efforts to Improve Management and Reduce Stocks, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Senate Committee on Appropriations. GAO/T-NSIAD-92-11, Feb. 19. (12 pages)

Defense Inventory: DOD's Efforts to Improve Management and Reduce Stocks Need to Continue, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Senate Committee on Armed Services. GAO/T-NSIAD-92-13, Feb. 28 (14 pages).

During the past 20 years, GAO has issued more than 130 reports on the Defense Department's (DOD) inventory management problems, including growth in the amount of unrequired inventory, weaknesses in the requirements determination processes, and the continual order of material that already exceeds needs. Although DOD has recently tried to improve inventory management, the problems are of such magnitude that GAO has included DOD inventory management among 16 government activities at high risk of mismanagement, fraud, and abuse. This testimony focuses primarily on secondary inventory items, such as aircraft, tank, and ship spare and repair parts; construction, medical, and dental supplies; and food, clothing and fuel. GAO concludes that the amount for DOD secondary items in fiscal year 1993 should be at least $5 billion less than the amount appropriated in fiscal year 1992.

Defense Force Management: DOD Management of Civilian Force Reductions, by Paul L. Jones, Director of Defense Force Management Issues, before the Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs. GAO/T-NSIAD-92-10, Feb. 20 (13 pages).

This testimony focuses on the Defense Department's (DOD) plans for civilian force downsizing and efforts to minimize adverse impacts on civilian employees. GAO discusses special separation incentives and other

programs to facilitate the downsizing of the uniformed military. In particular, GAO focuses on civilian force reductions within DOD, some of which result from base closures. GAO examines the magnitude of the downsizing taking place, management and drawdown of military compared with civilian personnel, and efforts to minimize the impact of separations on individuals affected as well as to preserve a quality work force for the future.

Natural Resources

Water Resources:
Corps' Management of Ongoing Drought in the Missouri River Basin

GAO/RCED-92-4, Jan. 27 (35 pages).

The Missouri River basin, encompassing all of Nebraska and part of nine other North Central states, is experiencing its most severe drought since the 1930s. GAO reviewed the U.S. Army Corps of Engineers' management of the Missouri River reservoir system under drought conditions in 1988, 1989, and 1990. Acting consistently with its drought contingency plan, the Corps reduced winter release rates, shortened navigation seasons on the Missouri River, and reduced water levels in the navigation channel. As a result, 17 percent less water was released during the three-year period than would have been released under normal operating conditions. The drought and the Corps' response to it harmed all reservoir efforts save one—flood control. The Corps' contingency plan, however, relies on assumptions about the amount of water needed for navigation and irrigation made in 1944 that are no longer valid, and the plan does not reflect the current economic conditions in the Missouri River basin. The Corps' ongoing study of its operation of the reservoir system is expected to address these issues. The Corps insists that, unless Congress approves changes to existing operating priorities, it must continue to give recreation a lower operating priority than other authorized purposes even if this lower priority results in decreased system benefits. GAO sees no appropriate basis for the Corps' view. A lawsuit filed in federal court by three upper basin states questions the legality of the Corps' position on recreation.

Indian Programs:
Profile of Land Ownership at 12 Reservations

GAO/RCED-92-96BR, Feb. 10 (30 pages).

Fractionated ownership has occurred as titles to Indian land have passed through several generations of multiple heirs. The Indian Land Consolidation Act of 1983 seeks to reduce the extent of Indian land fractionation within reservations' boundaries. Generally, an Indian's ownership of two percent or less in a tract of land transfers to the tribe upon the individual's death, provided that the interest is incapable of earning $100 or more in any of the five years following the Indian's death. On the basis of its work at 12 reservations cited as examples of extensive land ownership fractionation, GAO describes the (1) ownership of Indian land administered by the Department of the Interior, (2) Bureau of Indian Affairs' workload in maintaining ownership records, and (3) act's impact on the degree of fractionated ownership.

Indian Programs: BIA and Indian Tribes Are Taking Action to Address Dam Safety Concerns

GAO/RCED-92-50, Feb. 11 (30 pages).

Key factors contributing to the Bureau of Indian Affairs' (BIA) limited progress during the 1980s in addressing known or suspected dam deficiencies on Indian reservations—including limited staff resources, BIA's decision to encourage tribes to carry out program activities, and the absence of a management information system to help monitor and direct program activities—have, to a large degree, been addressed. A 1989 Inspector General report indicated that many BIA dams were in various stages of disrepair and in need of rehabilitation. While safety deficiencies have not been fully corrected, efforts are now under way at many BIA priority dams. The success of BIA's current dam strategy will, to a large degree, depend on how tribes and BIA carry out their program responsibilities. GAO believes that more time is needed before such an assessment is made. An effective record-keeping and reporting system to help monitor the situation at priority dams would help BIA assess progress.

Testimony

Wildlife Protection: Enforcement of Federal Laws Could Be Strengthened, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on General Oversight and California Desert Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-92-26, Feb. 3 (10 pages).

Federal statutes and international treaties give the Department of the Interior's Fish and Wildlife Service adequate authority to protect wildlife. The Migratory Bird Treaty Act does not, however, give the Service the authority to conduct a search and seizure without a warrant, as do other laws protecting wildlife. GAO continues to believe that it would enhance the Service's enforcement authority if the act were amended to provide such search and seizure authority. The Service investigates more than 10,000 suspected violations each year and maintains a conviction rate averaging more than 90 percent for cases prepared for prosecution. The agency cannot, however, investigate many more suspected violations or respond to state requests to participate in certain investigations because (1) it has a limited number of agents and (2) many of these agents are deskbound for months at a time due to insufficient operating funds. Further, the Service lacks readily available information on suspected violations and other enforcement activities that could help to justify needed resources. Although Interior is developing an information system capable of recording suspected crimes against wildlife, it also needs to (1) ensure that its agents report all known or suspected violations, whether they are investigated or not, and (2) document all state requests for assistance. This information should then be used to substantiate the resources the Service needs to carry out its law enforcement activities effectively.

Science, Space, and Technology

Earth Observing System: NASA's EOSDIS Development Approach Is Risky

GAO/IMTEC-92-24, Feb. 25 (36 pages).

NASA's plans for a $3 billion project to process, store, and distribute information generated by the Earth Observing System—a program to collect data on changes in the planet's atmosphere, oceans, and continents—falls short in identifying and mitigating the technological risks inherent in a project of such scope and complexity. GAO recommends that NASA not award the EOSDIS contract until specific plans have been developed and resources identified for (1) prototyping the full range of critical system elements and (2) guiding and accelerating research into key advanced technologies essential for the system's ultimate success. In addition, NASA should work to maximize cooperation with other federal agencies and earth science programs having data system experience in global change-related areas. Without specific plans and resources in place to ensure that emerging user needs are met and key technical challenges

aggressively pursued and resolved, NASA is running an unnecessarily high risk that EOSDIS may not meet future global change research needs and may require costly modifications to be useful. GAO summarized this report in testimony before Congress; see:

Earth Observing System: NASA Needs to Reassess Its EOSDIS Development Strategy, by Samuel W. Bowlin, Director of Defense and Security Information Systems Issues, before the Subcommittee on Science, Technology, and Space, Senate Committee on Commerce, Science, and Transportation. GAO/T-IMTEC-92-7, Feb. 26 (eight pages); and

Earth Observing System: NASA Needs to Reassess Its EOSDIS Development Strategy, by Samuel W. Bowlin, Director of Defense and Security Information Systems Issues, before the Subcommittee on Space, House Committee on Science, Space, and Technology. GAO/T-IMTEC-92-8, Feb. 27 (eight pages).

Testimony

Federal Research: Small Business Innovation Research Program Shows Success But Can Be Strengthened, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-RCED-92-32, Feb. 26 (16 pages).

The Small Business Innovation Research Program emphasizes the benefits of technological innovation and the ability of small businesses to transform research and development results into new programs. Even though many of the program's projects have not yet had enough time to achieve their full commercial potential, the program is showing success in Phase III, which centers on the commercial or government applications of developed technology. This is indicated by the $1.1 billion in sales and additional development funding reported as of July 1991, two-thirds of which has occurred in the private sector. In addition, the majority of Phase II projects remain active in Phase III, and companies expect up to $3 billion in further sales and additional development funding through 1993. GAO recommends that the following three issues be addressed to further strengthen the program: (1) the extent of the Defense Department's commitment to increasing private-sector commercialization; (2) inconsistent practices in requiring competition for projects entering Phase III; and (3) the need to clarify the circumstances under which an agency

may work on its own or continue working with the company through follow-on contracts after program funding ends.

Social Services

Administration on Aging: Harmonizing Growing Demands and Shrinking Resources

GAO/PEMD-92-7, Feb. 12 (25 pages).

To make its June 1991 testimony on the Administration on Aging more widely available, GAO has published its remarks as a blue cover report. The Administration on Aging helps meet the special needs of the elderly by providing them with a wide array of social and nutritional services. These services have become increasingly important because the U.S. elderly population has grown nearly 65 percent since 1965. During the 1980s, however, the Administration on Aging experienced a significant decline in inflation-adjusted program funds. As a result, new programs and mandates are unfunded, key leadership positions are vacant, and the organization's monitoring capabilities are in question. Clearly, the ambitious aims of the Older Americans Act are being compromised by a shortage of resources. GAO believes that it is time to look realistically at what the Administration on Aging can do and how the agency's priorities for actions should be set, given available staffing, funding, and expertise.

Interstate Child Support: Wage Withholding Not Fulfilling Expectations

GAO/HRD-92-65BR, Feb. 25 (72 pages).

To more effectively enforce court-ordered support for millions of children, 1984 federal legislation requires states to withhold support payments from the wages of noncustodial parents who become delinquent in their child support payments for one month or more. This briefing report (1) examines procedures used in interstate wage withholding, (2) gauges the uniformity of these procedures among states, (3) estimates the time taken to serve a wage withholding order on an employer, and (4) identifies factors contributing to processing time. GAO discovered that a lack of uniform procedures, resources, and equipment all contribute to the failure of states to withhold court-ordered child support payments from the wages of out-of-state parents as required by federal law.

Testimony

Child Abuse and Neglect: Progress of the National Center Since May 1991, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-HRD-92-14, Feb. 27 (14 pages).

The National Center on Child Abuse and Neglect was established in 1974 to lead the federal effort in combatting child abuse and neglect. In May 1991, GAO testified (see GAO/T-HRD-91-29) that staff shortages kept the Center from fully carrying out its mission and that, if Center programs were not given priority attention within the newly formed Administration for Children and Families, Congress might want to lower its expectations for the Center or seek other ways of achieving the goals of the Child Abuse Prevention and Treatment Act. Since then, the Center has made some progress in monitoring grant programs, managing the clearinghouse and resource centers on child abuse data, and obtaining more staff and expertise. Despite these encouraging signs, administrative effectiveness may not improve because of the Center's growing workload. The Center continues to fall short in providing timely on-site monitoring, assessing its technical assistance, and submitting required reports to Congress. GAO believes that the Center's limited resources continue to hinder its goal of providing leadership in the prevention and treatment of child abuse and neglect.

Tax Policy and Administration

Earned Income Tax Credit: Advance Payment Option Is Not Widely Known or Understood by the Public

GAO/GGD-92-26, Feb. 19 (56 pages).

More than 11 million low-income wage earners received $6.5 billion in earned income tax credits for tax year 1989. The earned income tax credit is a refundable credit that certain workers can receive upon filing a tax return. Workers can receive the credit as a lump sum payment after filing a return in advance as part of their paycheck. Yet less than one percent of earned income credit recipients receive the credit in advance each year. This report (1) identifies why few eligible workers take advantage of the advance payment option; (2) determines whether making advance payments imposes a burden on employers, especially small businesses; and (3) identifies any problems the Internal Revenue Service has experienced in administering the advance payment option.

Transportation

Aviation Safety: Air Taxis—the Most Accident-Prone Airlines—Need Better Oversight

GAO/RCED-92-60, Jan. 21 (18 pages).

Air taxis have the highest commercial airline accident rate in the United States per 100,000 hours flown. From January 1990 through July 1991, air taxis had about 13 times and five times more accidents, respectively, than air carriers and commuters. Yet Federal Aviation Administration (FAA) information shows that more than one-quarter of air taxis did not receive required inspections in fiscal year 1990. Also, routine FAA inspection generally did not spot violations that resulted in emergency orders revoking air taxis' operating certificates. FAA could improve detection of safety problems and cut the potential risk of air taxi accidents by more effectively allocating the resources it devotes to inspecting the air taxi industry. For example, it could target resources on the basis of performance data and conduct additional special inspections. Also, because air taxi operators' financial problems and poor compliance attitudes have led to serious safety violations, the costs and safety benefits of economic oversight deserve more scrutiny and consideration. Although FAA has tried to improve its overall inspection program, fundamental problems remain. FAA does not track identified problems to see if they have been corrected. Also, since the financial distress of some airlines can lead to shortcomings in safety, FAA's inspector handbook should be revised to provide for special oversight of such airlines. Additionally, the agency lacks a formal process to track those who commit violations resulting in emergency revocation of an operating certificate, raising the possibility that such individuals might return to the airline industry as key managers and owners. FAA needs to perform (1) a minimum level of required inspections and (2) industrywide special inspections periodically. GAO summarized this report in testimony before Congress; see:

Aviation Safety: Better Oversight Would Reduce the Risk of Air Taxi Accidents, by John H. Anderson, Jr., Associate Director for Transportation Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-92-27, Feb. 25 (15 pages).

Airport Capacity: Synopses of Major Studies

GAO/RCED-92-117FS, Feb. 5 (28 pages).

Airspace and airport congestion have created major problems for U.S. aviation, delaying domestic flights throughout the country. To improve the capacity and safety of airports and otherwise enhance their facilities, up to $1.9 billion in federal funding is available in fiscal year 1992 for current projects. The most recent extension of the airport and airway legislation authorizing this funding expires at the end of fiscal year 1992. To assist Congress in its deliberations on the reauthorization of the legislation, this fact sheet summarizes the major airspace capacity-enhancement studies produced since 1987—the year in which the last amendments to the act were enacted. Prepared by the Federal Aviation Administration, congressional agencies, universities, and others, these studies analyze the congestion problem and offer many recommendations to mitigate it.

Testimony

Aviation Safety: FAA Needs to More Aggressively Manage Its Inspection Program, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-92-25, Feb. 6 (15 pages).

The Federal Aviation Administration (FAA) has yet to address GAO's concerns about shortcomings in its airline inspection management and oversight. The agency is unable to ensure that (1) airlines are complying with safety regulations and (2) its limited resources are targeted to inspecting airlines that pose the greatest risk to the flying public. Furthermore, because FAA is not tracking corrective actions for identified problems, serious problems may go uncorrected, putting airline passengers at risk. The National Transportation Safety Board has criticized FAA for not ensuring that airlines take corrective action and found that FAA's lack of aggressive action and ineffective surveillance contributed to accidents. FAA acknowledges that improvements are needed in its inspection program and is taking some positive steps. Fundamental problems remain, however. FAA needs to correct problems in its inspection program now to increase the margin of safety before it is overtaken by newer challenges, such as aging aircraft, airline industry restructuring, globalization of the industry, and oversight of foreign air carriers.

Airport Development: Improvement Needed in Federal Planning, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-92-30, Feb. 19 (12 pages).

This testimony focuses on changes that GAO believes would help ensure the advantageous use of limited Airport and Airway Trust Funds. GAO testified that oversight of the Aviation Trust Fund could be enhanced if decisionmakers knew how various spending decisions would benefit or harm the national aviation system. This knowledge is, however, not now available through the Federal Aviation Administration's (FAA) national airport plan. While FAA's supplements to the National Plan of Integrated Airport Systems will make it more descriptive, these changes add little to the plan's value as an effective planning tool. GAO believes that more basic changes are needed, such as establishing goals, making the content of the national airport plan more credible, and developing feedback mechanisms. If Congress believes that the airport development plan should include investment options, FAA might find the concepts and principles underlying the Secretary's highway and bridge report helpful. In particular, this report could help FAA identify the criteria and methodologies for quantifying investment requirements both to preserve the airport system at current service levels and to improve the system to meet increased service levels.

Airline Competition: Industry Competitive and Financial Problems, by John H. Anderson, Jr., Associate Director for Transportation Issues, before the Subcommittee on Consumer and Environmental Affairs, Senate Committee on Governmental Affairs. GAO/T-RCED-92-28, Feb. 21 (25 pages).

GAO testified that the most appropriate approach to resolving the competitive and financial problems of the airline industry is to focus on long-term strategies to enhance competition. Government action by itself, of course, will not preserve a competitive industry. If airlines are not soundly financed, they will remain vulnerable to the cyclical swings of demand for airline services and costs of aviation fuel. Nevertheless, a well-designed, broad program to reduce competitive barriers should both improve the long-term financial status of distressed airlines and make them more effective competitors in the airline marketplace. Government action can provide the structural preconditions for effective competition: equal access to the nation's publicly financed airports, a level playing field for marketing airline services, and better access to domestic and international capital markets. The government's interest in the survival of threatened airlines is one of ensuring that enough airlines survive to provide effective competition.

Veterans Affairs

VA Health Care: VA Plans Will Delay Establishment of Hawaii Medical Center

GAO/HRD-92-41, Feb. 25 (44 pages).

Because Hawaii has no VA hospital, the acute care needs of veterans have traditionally been met through a VA sharing agreement with Tripler Army Medical Center and contracts with community hospitals. The Department of Veterans Affairs (VA) has plans on the drawing board for a medical center in Hawaii. With respect to the planned medical center, this report discusses whether (1) VA could increase its presence in Hawaii and provide acute and long-term care services to the state's veterans sooner than currently planned, (2) VA has accurately projected its acute care bed needs in light of the Hawaii health insurance mandates, and (3) excess bed capacity exists at Tripler Army Medical Center that could be used to meet those needs.

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