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# Reports and Testimony: May 1992

## Highlights

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### Pharmaceutical Industry

*Many industries have benefited from section 936 of the tax code, designed to foster economic growth in Puerto Rico, but none as much as the pharmaceutical industry, which enjoyed about half of the total tax benefits under this section of the law while providing only 15 to 18 percent of the jobs. Page 54.*

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### Health Insurance Fraud

*With fraud and billing abuse by the nation's health care providers costing private insurance companies and public programs an estimated \$70 billion annually—and perhaps \$100 billion by 1995—Congress should consider establishing a national health care fraud commission to combat the problem. Page 21.*

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### WIC Program

*The federal government's Special Supplemental Food Program for Women, Infants, and Children—which provides low-income pregnant women with nutrition education and referral to social service agencies—is a sound investment; each dollar spent on WIC saves almost \$3 within the infants' first year, primarily by reducing public and private health care costs. Page 53.*

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# Reports and Testimony: May 1992

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## Agriculture and Food

### **Food Safety and Quality: Salmonella Control Efforts Show Need for More Coordination**

GAO/RCED-92-69, Apr. 21 (45 pages).

Efforts by the U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) to control salmonella outbreaks due to contaminated eggs have been stymied by questions of jurisdiction, lack of scientific data on the salmonella problem, FDA resource considerations, and disagreement between USDA and FDA about what actions to take. These difficulties, like other problems in the food safety area, arise from the present regulatory structure of split and concurrent jurisdictions; food safety efforts are being impeded as a result. Egg safety cannot be ensured without additional controls beyond USDA's current program to test chicken flocks. Flocks that have tested salmonella-free can later become infected by rats or environmental conditions, and some infected eggs may reach the marketplace. The health threat can increase with improper handling as the bacteria continue to multiply. GAO concludes that a comprehensive program is needed to control salmonella through all stages of egg production, distribution, and consumption.

### **Agriculture Payments: Number of Individuals Receiving 1990 Deficiency Payments and the Amounts**

GAO/RCED-92-163FS, Apr. 27 (36 pages).

The U.S. Department of Agriculture (USDA) pays producers under several farm programs, including the disaster assistance, conservation reserve, and income support programs. This fact sheet provides information for crop year 1990 on the (1) number of individuals who—by participating in USDA's farm programs for wheat, feed grains, cotton, and rice—received income support payments in their own name and through entities, general partnerships, and joint ventures and (2) the amount of these payments.

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## Budget and Spending

### **Impoundments: Comments on Proposed Rescissions of Defense and Energy Budget Authority**

GAO/OGC-92-10, May 18 (five pages).

On April 8, 1992, the President submitted to Congress his 73rd special impoundment message for fiscal year 1992, and on April 9 he submitted his 74th through 101st special impoundment messages. GAO reviewed the messages, which involve funds at the Defense Department and the Department of Energy, and found them to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless Congress passes a rescission bill within 45 days after having received the proposal. GAO and the Office of Management and Budget agree that the 45-day period for the April 8 message will end on June 18, 1992, and the 45-day period for the April 9 message will end on June 19, 1992.

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## Business, Industry, and Consumers

### **Small Business:**

#### **Losses on Individual SBA Loan Programs Are Not Fully Disclosed**

GAO/RCED-92-90, Apr. 17 (12 pages).

The 7(a) general business loan program, the Small Business Administration's (SBA) largest financial assistance program, aids small businesses that cannot obtain credit at reasonable terms from conventional lenders without government assistance. Losses for the program, however, are not fully disclosed in SBA's annual loss study because the actual results from the sale of acquired collateral are omitted. In addition, expenses incurred in managing and selling collateral are not included in collateral sales accounts nor in the annual loss study. While SBA may not consider these unreported losses significant when compared with total cumulative loan program losses or program disbursements, they do amount to millions of dollars and should be disclosed so that individual 7(a) loan program losses are more accurately reported to SBA program managers and Congress. In formulating protective bids to acquire collateral, SBA does not consistently comply with its standard operating procedures for determining collateral values and sometimes acquires collateral that costs the taxpayers more than it is worth. Furthermore, the assigned collateral values may provide borrowers excessive debt relief and preclude SBA from future collection opportunities.

### **Small Business:**

#### **SBA Needs to Improve Administrative Practices for Disaster Operations**

GAO/RCED-92-144, May 7 (41 pages).

Shortly after Hurricane Hugo struck the U.S. Virgin Islands in September 1989, the Small Business Administration (SBA) set up temporary offices in St. Thomas and St. Croix to help homeowners and businesses obtain disaster assistance loans. A number of allegations were raised about improper hiring practices involving temporary employees and improper reimbursement of travel expenses. GAO found that some SBA hiring, supervision, promotion, and pay practices were inappropriately handled during the Hugo disaster operation. While SBA is undertaking steps to prevent a recurrence of these problems, SBA procedures for issuing temporary waivers of the automatic reduction in per diem paid to temporary employees still do not include documentation and periodic review requirements. In addition, because of a six-month limit on paying per diem to temporary disaster employees, SBA had to release or transfer some employees before their work was done, disrupting the work flow and making the SBA work force less efficient.

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## Civil Rights

### **U.S. Commission on Civil Rights: The Commission Has Complied With FY90 Appropriation Act Provisions**

GAO/GGD-92-83, May 12 (four pages).

The fiscal year 1990 appropriation for the Commission on Civil Rights set restrictions on how the funds were to be spent, including capping the amount used to employ consultants and limiting the number of Schedule C employees that could be hired as assistants to the eight commissioners. GAO found the Commission to be in compliance with the legislation's restrictions.

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## Economic Development

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### Testimony

Rural Development: REA Telephone Borrowers' Cash Holdings and Rural Development Investments, by Flora Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-92-65, May 20 (13 pages).

labeling standards applied to domestic cheese. Some exporting countries do not have food safety standards similar to those in the United States, and their cheeses have had higher contamination rates than cheeses imported from other countries. Although FDA has tried to develop certification programs requiring foreign exports to meet U.S. standards, it has only one certification program for cheese—with France. FDA, however, has not formally monitored the French program and lacks enough data to determine the program's effectiveness. GAO is also concerned about the low percentage of product samples from imported cheeses that FDA collects and analyzes for contamination. GAO summarized this report in testimony before Congress; see:

Food Safety and Quality: FDA Can Improve Monitoring of Imported Cheese, by William E. Gahr, Associate Director for Food and Agriculture Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs. GAO/T-RCED-92-79, July 9 (eight pages).

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## Testimony

U.S. Department of Agriculture: Overhauling the Farm Agencies' Field Structure, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture. GAO/T-RCED-92-87, July 30 (17 pages).

The U.S. Department of Agriculture (USDA) is in urgent need of revitalization if it is to again become a force in American agriculture. Although the agency's client base has expanded over the years to encompass nutrition, international trade, and environmental issues, USDA's structure has changed little since the days when most Americans worked on the farm and sold their goods to local markets. USDA needs to revisit its mission and goals, then come up with an organizational structure to achieve them. Opportunities also exist to streamline the agency's field structure, which often requires farmers to deal with many different offices, employees, and administrative procedures. USDA will have to overcome the parochial concerns of individual agencies as it moves towards an organization that meets the needs of a rapidly changing agriculture sector. Revitalizing USDA will not be easy, a task made even more difficult by the current environment of severe fiscal constraint. Responding to this challenge will require determined, creative, and sustained efforts by the leadership in USDA and Congress.

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Department of Agriculture: Restructuring Will Impact Farm Service Agencies' Automation Plans and Programs, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture. GAO/T-IMTEC-92-22, July 30 (seven pages).

Given possibly drastic streamlining of the field structure at the Department of Agriculture (USDA), a planned \$2 billion computer upgrade at USDA's farm service agencies is a high-stakes gamble that could prove costly should the technology be unable to accommodate the agency's new approach to doing business. In a related matter, GAO recommends that USDA ensure that farm service agencies begin integrating their data bases. USDA must also continue to establish common data definitions for the farm service agencies to use in developing information systems. Without coordinated information technology plans and common definitions, USDA cannot be sure that its information technology modernization efforts will meet its crosscutting needs into the 21st century.

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## Budget and Spending

**Impoundments:**  
**Status of Budget Authority Proposed for Rescission in the President's Omnibus Impoundment Message**

GAO/OGC-92-12, July 21 (eight pages).

This letter reports on the status of budget authority proposed for rescission by the President in special messages during fiscal year 1992. GAO discusses actions taken by Congress on the rescission proposals and the funds proposed for rescission that have been made available for obligation. Included is a chart detailing the nature of the funds proposed for rescission and the amounts involved.

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## Testimony

Budget Policy: Budgetary Treatment of Investment Programs, by Paul L. Posner, Director of Budget Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-AFMD-92-15, July 23 (12 pages).

The nation's long-term economic future depends in large part upon budget and investment decisions made today. Current trends are discouraging, however, as federal budget deficits have absorbed increasing proportions of national saving that might otherwise have financed productive

economic investment. These deficits, in turn, have placed growing pressure on discretionary federal spending, including programs with long-term potential for economic growth. Changes are needed in the U.S. budget process to focus on the long-term impacts of both overall fiscal policy decisions and the choices made among programs. In GAO's view, the most important contribution the federal government can make to a healthy and growing U.S. economy is to bring down the federal deficit. In doing so, it is important to recognize the unique contribution of investment programs to economic growth. GAO believes the investment implications of federal budget decisions need to be considered as those decisions are made. To do that, the choices presented by the budget need to be changed to more clearly reveal those implications. Better information on the costs and benefits of programs also needs to be available to decisionmakers. Two bills being considered by Congress—H.R. 4420 and H.R. 4558—offer the possibility that those programs could be considered differently in budget deliberations.

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## Business, Industry, and Consumers

### **Drinking Water: Consumers Often Not Well-Informed of Potentially Serious Violations**

GAO/RCED-92-135, June 25 (42 pages).

In recent years, health and environmental officials have become increasingly concerned about the possible long-term health effects of man-made chemical contaminants found in drinking water, some of which have been linked to cancer and birth defects. On the basis of its review of 28 water systems in six states, GAO found that water system operators often fail to notify their customers—as required by the Safe Drinking Water Act of 1974—when their systems fail to meet drinking water standards. Overall, the water systems issued timely notices for only 17 of 157 violations, many of which involved serious long-term health risks. Although limited state enforcement has contributed to the problem, a major reason for noncompliance is the notification regulations themselves, which many system operators find hard to understand and implement. Even if total compliance could be achieved, other problems make the notification process less effective than it should be in notifying the public of drinking water problems. For example, notices are often unclear about the health risks associated with a violation and the preventive measures to be taken. GAO also concludes that the public notification process would be

more effective in informing the public—and easier for water systems to implement—if it focused more on serious violations.

**Telecommunications:  
Concerns About Competition in the Cellular Telephone Service  
Industry**

GAO/RCED-92-220, July 1 (44 pages).

The U.S. cellular telephone industry has grown from about 92,000 subscribers in 1984 to about 7.6 million subscribers in 1991—one of the fastest growing industries in the country. GAO examined the competitive structure of the industry and the adequacy of the Federal Communications Commission's (FCC) current policies in ensuring competitively priced service. While GAO found no evidence of anticompetitive or collusive behavior, the two-carrier market system that FCC created may limit competition in cellular phone markets. Price data were limited and yielded little information about industry competitiveness. GAO notes that neither FCC nor the states have ongoing efforts to evaluate industry competition. FCC is relying on the introduction of other advanced communications services to bring competition to the cellular phone market; GAO agrees that such services would increase competition, if licenses were granted to carriers not already serving a particular market. GAO summarized this report in testimony before Congress; see:

Telecommunications: Competition in the Cellular Telephone Service Industry, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Communications, Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-92-72, July 1 (13 pages).

**Small Business:  
Use of the Surety Bond Waiver Has Been Limited**

GAO/RCED-92-166, July 7 (23 pages).

Under a pilot Surety Bond Waiver (SBW) Program, the Small Business Administration is permitted to waive federal surety bond requirements for socially and economically disadvantaged contractors participating in SBA's 8(a) program. Separate legislation called for the Defense Department (DOD) to make every effort to award at least 30 contracts that used bond waivers in fiscal years 1990 and 1991. Only 13 contracts awarded in fiscal years 1989 through 1991 used bond waivers, and only nine of those were

awarded by DOD. Reasons for this limited use of bond waivers include the following: (1) 8(a) program legislation does not provide the flexibility the SBA needs to select nonbondable contractors; (2) implementing the SBW program required certain regulation revisions that delayed issuance of SBW program guidelines; and (3) the opportunities to use bond waivers were limited by a military construction freeze from January 1990 to May 1991, the military base closure program, and Operation Desert Storm. SBA has begun to address other factors contributing to the waiver's limited use, such as poor staff training and outreach efforts. GAO notes that for the eight bond waiver projects completed as of March 1992, contractor performance was considered satisfactory or better.

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## Economic Development

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### Testimony

Flood Insurance: Information on the Mandatory Purchase Requirement, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-92-86, July 27 (seven pages).

The Flood Disaster Protection Act of 1973 requires the purchase of flood insurance for (1) any federal loan or grant used to buy or build a home in certain flood areas and (2) loans secured by improved property in certain flood areas if the loans are made by financial institutions regulated or insured by the federal government. A key objective of legislation pending before Congress is to expand the number of properties required to have such flood insurance. GAO's limited review of victims in two floods in Texas and Maine shows that most households in Maine that were subject to the mandatory purchase requirement did have flood insurance; however, most in Texas did not. GAO could not discover the reason for this disparity, although the large majority of flood victims in both states were not subject to the mandatory purchase requirement. The two main reasons for this were that many Maine households had unmortgaged property and many mortgages in Texas were held by unregulated lenders who are exempt from the mandatory purchase requirement.

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## Education

### **Guaranteed Student Loans: Eliminating Interest Rate Floors Could Generate Substantial Savings**

GAO/HRD-92-113, July 21 (16 pages).

Establishing a variable interest rate structure for guaranteed student loans, while retaining the current caps, could save the federal government and student borrowers hundreds of millions of dollars in future interest payments. To ensure adequate private loan capital, the government guarantees lenders participating in the student loan programs a rate of return pegged to three-month Treasury bill yields plus a "special allowance factor" of about 3.25 percent. If a borrower's interest rate falls below this yield, the government pays lenders the difference. Currently, some student loan rates fluctuate with prevailing Treasury bill yields, while others have interest rate floors that prevent borrowers and the government from benefiting when Treasury bill yields drop. If such loans had variable interest rates, the government and student borrowers could cut their interest payments in fiscal year 1992 by about \$100 million and \$143 million, respectively. The potential cost savings associated with applying variable interest rates to guaranteed student loans could be even more substantial if loan volumes continue to grow and Treasury bill yields remain low.

### **Stafford Student Loans: Prompt Payment of Origination Fees Could Reduce Costs**

GAO/HRD-92-61, July 24 (43 pages).

Borrowers paid an estimated \$427 million in origination fees on Stafford loans they received in fiscal year 1990. These fees help offset the federal government's multibillion-dollar cost of subsidizing the Stafford Student Loan Program. GAO found that the government is incurring millions of dollars in unnecessary interest costs associated with the collection of origination fees because (1) it does not receive fees from some lenders, (2) it receives them from other lenders long after they are collected from students, and (3) the Department of Education's interest subsidy offset and other collection practices discourage prompt remittances. Rather than collecting most loan origination fees as offsets to quarterly interest subsidy billings, the Department could be given the authority to collect fees from lenders within 15 days of loan disbursement. The Department, in part because it relies on lenders to maintain records on individual loans,

lacks enough data to determine when lenders disburse loans or the origination fees they owe. Until the Department is given authority to collect origination fees and has a new student-loan data system up and running, it should work with the guaranty agencies to ensure that lenders remit the fees they owe within 15 days and impose penalties on late remittances.

**Remedial Education:  
Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need**

GAO/HRD-92-16, July 28 (28 pages).

Congress should revise the formula for allocating federal funds to school districts for remedial education so that more aid flows to counties with the largest numbers of poverty-related low achievers and those least able to pay for supplementary services. Because poverty diminishes a child's chances of success in school, Congress established the Chapter 1 program to fund supplementary remedial education services for low achievers in poor neighborhoods. Changing the Chapter 1 funding formula could target more funds to counties with the greatest needs. The existing formula does not accurately reflect the distribution of poor achievers due to poverty, provide extra help to areas with less ability to fund remedial education, or adequately reflect differences in local costs of providing education. A revised formula would improve targeting of Chapter 1 funds if it (1) relied on a more precise way of estimating the number of poverty-related low achievers, (2) used an income adjustment factor to grant more assistance to areas least able to finance remedial instruction, and (3) employed a uniform measure of education services costs that recognized differences within and between states.

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## Employment

**Foreign Farm Workers in U.S.:  
Department of Labor Action Needed to Protect Florida Sugar Cane Workers**

GAO/HRD-92-95, June 30 (24 pages).

Every October, as many as 10,000 workers are brought from the Caribbean to harvest Florida's sugar cane crop; the workers are returned home after about five months of work. Farm worker advocates and Members of Congress have raised concerns about whether sugar cane growers are

actually paying workers' transportation costs to and from the United States and whether workers are receiving all the earnings due them. Notably, they have questioned the management of two wage deductions for Caribbean workers—a two-percent deduction for health and life insurance and a 23-percent deduction for a savings plan. GAO discovered that the Department of Labor has done little to enforce laws and regulations meant to protect the Caribbean workers, and the workers may not recover wages lost when their labor contract with the growers is violated. As of June 1992, the Department had not decided whether to try and recover excess transportation costs charged to some workers before the 1988-89 harvest season. In addition, Labor said that it would only seek to remedy violations involving the wage deductions beginning with the 1991-92 harvest season. Although it recognizes that some practical difficulties exist, GAO believes that Labor should try to deal with prior inequities against the workers.

**Risk-Risk Analysis:  
OMB's Review of Proposed OSHA Rule**

GAO/PEMD-92-33, July 2 (26 pages).

The Office of Management and Budget (OMB) recently suspended its review of a rule proposed by the Occupational Safety and Health Administration (OSHA) entitled "Air Contaminants Standard in the Construction, Maritime, Agriculture, and General Industries." OMB's decision to suspend its review was based on a model developed by a University of Southern California professor. GAO reviewed OMB's application of this procedure, which attempts to estimate increased mortality risk indirectly attributable to the costs associated with implementing the rule. GAO concludes that OMB's application of risk-risk analysis to the OSHA regulation (1) was based on a theory that is controversial in several respects, (2) employed a model that is as yet incomplete, (3) misinterpreted the model in several important ways, and (4) appears to be inconsistent with both Supreme Court and appellate court decisions.

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**Testimony**

The Job Training Partnership Act: Abuse of On-the-Job Training and Other Contracting Is an Ongoing Problem, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-92-47, July 30 (seven pages).

As part of on-the-job training programs funded by the Job Training Partnership Act, employers who train workers are reimbursed for half of the participants' wages to compensate them for training expenses. GAO has reported for the last five years that program funds are being wasted on questionable contracts. For instance, on-the-job training for low-skill occupations, such as car wash attendant or fast-food worker, has often been excessively long; both the House and the Senate have passed legislation addressing such questionable practices. Another problem centers on improper administrative expenses that cut into training funds. At the same time, inadequate contract administration leaves the program vulnerable to waste, fraud, abuse, and mismanagement. State agencies, which have the primary responsibility for overseeing the act's implementation, have often failed to detect excessive or questionable on-the-job training contracts as well as other inadequate procurement practices. Until recently, Department of Labor oversight did not seek to identify improper or questionable procurement practices. While a series of special program reviews has been a step in the right direction, the Department needs to continue its active monitoring of program implementation.

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## Energy

### **Nuclear Science: DOE's Self-Supporting Isotope Program Is Experiencing Problems**

GAO/RCED-92-122FS, June 3 (18 pages).

Production and distribution of isotopes, which have medical, industrial, and scientific applications, have been a long-standing mission of the Department of Energy (DOE). DOE now generates less than five percent of all worldwide isotope sales. DOE is having problems running its isotope sales program on a self-supporting basis, and, since 1990, program operating costs have exceeded revenues. Foreign competition and high operating costs have been the main factors discouraging the program's self-sufficiency. U.S. isotope users are concerned that DOE's commitment to operating the program on a self-sufficient basis may limit the domestic availability of some isotopes if DOE cannot produce them cost-effectively.

### **Nuclear Waste: Status of Actions to Improve DOE User-Fee Assessments**

GAO/RCED-92-165, June 10 (16 pages).

The Department of Energy (DOE) is required to build a deep underground repository for the safe, permanent disposal of nuclear waste from government and the private sector. According to DOE estimates, the program could cost as much as \$34 billion if two repositories are built. In a June 1990 report (GAO/RCED-90-65), GAO noted that DOE's methods for estimating program costs and revenues and for assessing fees did not adequately take into account uncertainties like inflation that are inherent in such a long-term program. GAO discusses DOE's periodic assessment of whether the fees charged to utilities running nuclear power plants are adequate to cover the costs of the civilian nuclear waste disposal program. GAO also discusses the need to disclose in the fund's financial statements the possibility that a portion of the one-time user fees due from utilities may be uncollectible because of the uncertain condition of some utilities.

**Nuclear Science:**

**Consideration of Accelerator Production of Tritium Requires R&D**

GAO/RCED-92-154, June 15 (17 pages).

Tritium, a crucial material used in nuclear weapons, gradually decays and must be continually replaced. The Department of Energy (DOE) is responsible for producing tritium and has traditionally generated it at its nuclear reactors. The reactors are getting old, however, and it is unclear how much longer they will last. An alternative—producing tritium with a particle accelerator—was first proposed in 1989 by scientists at Los Alamos and Brookhaven National Laboratories. DOE has devoted scant funds to test the concept, however, and the full extent of the accelerator's abilities remains unknown. DOE declined to pursue this idea because it doubted that enough time existed to develop the concept, given the immaturity of the technology and the urgency with which DOE believed new tritium production capacity would be needed. Reductions in the nuclear weapons stockpile have eliminated the need for an urgent schedule and have given DOE more time to study the accelerator. To sufficiently develop the technology for an accelerator so that it can be compared with reactors for tritium production would require a research and development program.

**Nuclear Waste:**

**Defense Waste Processing Facility—Cost, Schedule, and Technical Issues**

GAO/RCED-92-183, June 17 (62 pages).

Since the early 1980s, the Department of Energy (DOE) has been planning or building facilities to treat and dispose of 34 million gallons of high-level radioactive waste stored in underground tanks at the Savannah River Site in South Carolina. The program has experienced cost increases and is now expected to cost nearly \$4 billion and run about five years behind schedule. Further cost increases and schedule delays are possible because of technical issues and other uncertainties. Much of the cost increases and schedule slippages resulted from ineffective program management. In addition, because of the way in which DOE reported funding and budget information about the program in the past, Congress did not have a clear picture of the cost increases and schedule slippages. DOE has taken steps to correct these problems. Two key pretreatment processes continue to be plagued by technical problems. At the same time, an alternative pretreatment method with lower operating costs has become available, raising questions about which pretreatment technology can come online quickest and offer environmental, safety, performance, and cost advantages. GAO recommends that DOE assess and compare the existing and alternative pretreatment technologies to see whether DOE should accelerate its planned efforts to replace the existing technology.

**Uranium Enrichment:  
Unresolved Trade Issues Leave Uncertain Future for U.S. Uranium  
Industry**

GAO/RCED-92-194, June 19 (29 pages).

Total U.S. imports of Soviet-produced natural and enriched uranium were 17 times greater in 1991 than they were five years earlier. Department of Energy (DOE) uranium enrichment officials and U.S. miners view these imports as a threat to the domestic uranium market, and in November 1991, the miners filed an antidumping petition against Soviet importers. This report discusses (1) the increasing volume of natural and enriched uranium imported into the United States from the Soviet Union; (2) the ongoing antidumping case initiated by U.S. uranium miners; (3) other factors that will play a large role in determining the future of the domestic uranium market—namely, the breakup of the Soviet Union and the commercial use of highly enriched uranium originally produced for nuclear weapons; and (4) DOE's uranium inventories.

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**Nuclear Weapons Complex:  
Status of Restart Issues at the Rocky Flats Plant**

GAO/RCED-92-176FS, June 22 (18 pages).

GAO reviewed the Department of Energy's (DOE) efforts to resume plutonium operations at the Rocky Flats Plant in Colorado. This fact sheet provides information on (1) the process that is being used at Rocky Flats to identify and manage environment, safety, and health issues; (2) the overall status of these issues at Rocky Flats; and (3) the status of these issues at the buildings where DOE plans to resume plutonium operations.

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**Environmental  
Protection**

**Hazardous Materials:  
Upgrading of Underground Storage Tanks Can Be Improved to  
Avoid Costly Cleanups**

GAO/NSIAD-92-117, May 13 (40 pages).

The Environmental Protection Agency (EPA) estimates that hundreds of thousands of underground storage tanks containing petroleum or hazardous chemicals are leaking and threatening public health and the environment. Although the Defense Department (DOD) reportedly owns more than 30,000 underground storage tanks across the country subject to EPA or state regulations, the accuracy of this inventory is doubtful due to a lack of historical records and other factors. DOD is trying to accurately pinpoint the number of underground storage tanks it owns, and it has made progress in meeting EPA requirements. For example, although DOD failed to meet EPA leak-testing standards in 1989 and again in 1990, its compliance level increased from 41 percent to 78 percent during the two-year period. Yet progress on other problems posed by the underground tanks has been limited due primarily to a lack of funding.

**Biotechnology:  
Delays in and Status of EPA's Efforts to Issue a TSCA Regulation**

GAO/RCED-92-167, June 12 (16 pages).

Biotechnology holds the promise for new vaccines, pesticides, insect-resistant plants, bacteria that can break down toxic wastes, and genetic engineering. Safeguards are needed, however, to ensure that the release of organisms created by biotechnology does not pose an

unreasonable risk to public health or the environment. The Toxic Substances Control Act (TSCA) was passed in 1976 to safeguard against the introduction of harmful new chemicals into the environment. The Environmental Protection Agency (EPA) considers microorganisms used in biotechnology products to be “chemical substances” and thus subject to regulation under the act. This report examines (1) EPA’s efforts to issue a TSCA biotechnology regulation and (2) the impact on the biotechnology industry of not having a TSCA biotechnology regulation.

**Water Pollution:  
Pollutant Trading Could Reduce Compliance Costs If Uncertainties  
Are Resolved**

GAO/RCED-92-153, June 15 (15 pages).

Pollutant trading has been touted within and outside the Environmental Protection Agency (EPA) as an economical supplement to traditional water pollution regulation. Under this approach, dischargers of pollution help determine how their collective discharges—everything from effluent from sewage treatment plants to runoff from construction sites—can be cut to preapproved levels in a cost-effective way. While EPA is beginning to address some of the barriers to pollutant trading, several questions must be resolved before this technique is used widely. Pollution trading to control water pollution has thus far been confined to four projects nationwide. This limited activity is largely due to uncertainties surrounding its use, including how best to administer, monitor, and enforce trades. EPA could play a valuable role in this regard by helping institute demonstration projects to test alternative trading approaches. The agency could then share lessons learned from these projects in the form of specific, detailed guidance to others. Congress could help overcome reservations about trading’s legal status by passing legislation to explicitly authorize trading under the Clean Water Act.

**Pesticides:  
Comparison of U.S. and Mexican Pesticide Standards and  
Enforcement**

GAO/RCED-92-140, June 17 (54 pages).

This report provides information on (1) U.S. and Mexican requirements for pesticide registration and tolerances, (2) differences in U.S. and Mexican tolerances for produce exported to the United States, and (3) the methods

the United States and Mexico use to ensure safe levels of pesticide residues on produce entering the United States from Mexico. Overall, GAO found that the requirements for registering pesticides and setting tolerances—the maximum level of pesticide residue allowed on foods—are similar in both countries, with one major exception. The Mexican commission that registers pesticides generally gives less intense scrutiny to pesticides that have already been registered in the United States or other developed countries. By contrast, the Environmental Protection Agency (EPA) always does its own reviews and does not rely on other countries' registrations. Several differences in tolerances exist between the United States and Mexico. Officials from both countries have formed a working group to resolve these differences. While GAO believes that this effort is important, it is concerned that it does not go far enough. New pesticides are constantly being developed that may create differences in tolerance levels between the two countries, but the working group has no plans to address this issue. GAO recommends that EPA work with Mexican officials to resolve all types of pesticide differences. This strategy should also provide a long-term framework for the countries to deal with the constantly changing universe of pesticides. GAO summarized this report in testimony before Congress; see:

Pesticides: Differences in U.S. and Mexican Pesticide Standards and Enforcement, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the House Committee on Agriculture. GAO/T-RCED-92-62, July 9 (10 pages).

**Toxic Substances:  
Advantages of and Barriers to Reducing the Use of Toxic Chemicals**

GAO/RCED-92-212, June 17 (15 pages).

American industry releases millions of tons of toxic chemicals each year, endangering human health and the environment. The production, storage, transportation, use, and disposal of toxic chemicals also pose serious risks. Several states have passed laws to minimize the use of toxic chemicals, and recent congressional hearings have examined how the federal government can help reduce the use of these chemicals. This report provides information obtained from state and industry officials as well as environmental groups on (1) the environmental and economic advantages of reducing the use of toxic chemicals, (2) barriers to firms' reducing their use of toxic chemicals, and (3) actions taken by states to encourage firms to reduce their use of toxic chemicals.

**Hazardous Waste:  
A North Carolina Incinerator's Noncompliance With EPA and OSHA  
Requirements**

GAO/RCED-92-78, June 30 (42 pages).

Citizens in Caldwell County, North Carolina, charged for years that a hazardous waste treatment facility in the area had been operating unsafely, harming both the environment and the health of workers and local residents. The facility, run by Caldwell Systems, Inc., was shut down completely in 1989 by court order. This report focuses on whether the facility was complying with federal laws requiring facilities to safely treat and dispose of waste, limit air pollution, and protect workers. GAO discusses how the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), and the state of North Carolina tried to ensure compliance with federal laws and regulations; how Caldwell Systems, Inc., complied with those laws and regulations; EPA policies and procedures for disposing of hazardous waste from sites being cleaned up under the Superfund Act; and Navy policies and procedures for disposing of hazardous waste at Caldwell Systems, Inc.

**Superfund:  
EPA Cost Estimates Are Not Reliable or Timely**

GAO/AFMD-92-40, July 1 (32 pages).

The Environmental Protection Agency's (EPA) cost estimates for the Superfund program are neither reliable nor useful in overseeing costs or making funding decisions. EPA is often a year or more late in issuing its required annual cost estimate for the program, which lessens its usefulness to Congress. Also, EPA's estimates for fiscal years 1989 and 1990 (1) omitted billions of dollars needed to clean up sites that will soon be placed on the national priorities list and (2) did not reflect realistic costs in completing the ongoing cleanup at existing hazardous waste sites. Efforts by EPA's Chief Financial Officer and Inspector General to verify Superfund cost estimates have fallen short.

**Endangered Species:  
Past Actions Taken to Assist Columbia River Salmon**

GAO/RCED-92-173BR, July 13 (37 pages).

Concerns about declining populations of wild salmon prompted the National Marine Fisheries Service to list several kinds of Snake River salmon as either endangered or threatened species. This briefing report examines past efforts to reverse declines in salmon runs. GAO discusses the actions, and their costs, that federal agencies and organizations in the Pacific Northwest have taken to maintain and restore runs of salmon—both wild and hatchery-bred. GAO also discusses the results of studies and research on the effectiveness of the salmon recovery measures undertaken.

**Coast Guard:  
Abandoned Vessels Pollute Waterways and Cost Millions to Clean  
Up and Remove**

GAO/RCED-92-235, July 21 (20 pages).

According to recent estimates, as many as 4,000 abandoned vessels may be littering the nation's waterways. These ships, leaking pollutants and often used as illegal dump sites for hazardous materials, pose a constant threat to the environment. Yet no federal law makes abandonment of a vessel illegal, and barge owners are not required to register their ships with the Coast Guard. As a result, the federal government may get stuck with the tab for mounting cleanup costs. Proposed legislation before Congress would overcome many of these problems, prohibiting barge abandonment and mandating barge registration. However, while the legislation seeks to identify barge owners through state-administered vessel registration, GAO is concerned about the temporary nature of the vessel marking now required under the state numbering system.

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**Testimony**

Superfund: Actions Needed to Correct Long-Standing Management Problems, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-92-78, July 8 (16 pages).

The Environmental Protection Agency's (EPA) \$15-billion program to clean up the nation's most dangerous hazardous waste sites remains highly vulnerable to waste, fraud, and abuse despite repeated warnings of problems in how EPA manages its contracts with private firms. GAO is concerned about EPA's extensive use of cost-reimbursable contracts, with potential values of nearly \$10 billion, and the agency's history of contract

management problems. Although EPA's cost-reimbursable contracts in the Superfund program cry out for effective cost control measures, EPA has failed to live up to its responsibilities. Until recently, EPA top management had not focused on this issue. EPA's promises to improve contracting activities are a hopeful start to correcting these long-standing contracting problems. It is crucial, however, for EPA to follow through on this pledge—an area in which EPA has fallen short in the past. Unless the effort is sustained and substantive changes occur, scarce Superfund resources will remain vulnerable to fraud, waste, and abuse.

Environmental Technology: Comments on S. 2632, the "National Environmental Technologies Agency Act," by Victor S. Rezendes, Director of Energy Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-92-81, July 21 (12 pages).

Innovative technologies are needed to clean up the environment and protect it in the future. The combined public and private cleanup effort in the United States alone may cost more than half a trillion dollars during the next 30 years, while the recent summit in Rio de Janeiro underscores the growing global dimensions of the environmental problem. Proposed legislation before Congress—S. 2632—would create an agency to promote the development and commercial application of environmentally safe technologies and to improve the nation's competitiveness in meeting world demand for such technologies. Although the bill highlights the need for innovative environmental technologies, it also raises fundamental questions that Congress may want to consider before committing considerable federal investment in a new agency. For example, what are the research and development needs? What are the needs for transfer of technology? What are the regulatory barriers to more widespread use? In any case, GAO believes that some of the bill's provisions could be clarified to avoid potential problems and help ensure success. Finally, Congress may want to examine the roles of existing government organizations and how they should be integrated to promote the development and deployment of innovative environmental technologies.

Pesticides: 30 Years Since Silent Spring—Many Long-standing Concerns Remain, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-92-77, July 23 (22 pages).

GAO testified that many concerns about pesticides raised by Rachel Carson 30 years ago in her book Silent Spring and by more than 100 GAO reports over the past 24 years remain unresolved. The Environmental Protection Agency's pesticide reregistration program, for example, evaluates the health and environmental effects of older pesticides, but after 20 years, only two of more than 19,000 products have been reregistered. Other longstanding concerns discussed include difficulties in removing dangerous pesticides from the market, holes in the safety net designed to warn consumers of pesticide dangers, groundwater contamination, inadequate monitoring of pesticides in food, deficient notice to foreign governments about exported pesticides that are banned or unregistered in the United States, poor safety protection for farmworkers, and a lack of coordinated federal strategy to manage key pesticide data.

Federal Facilities: Issues Involved in Cleaning Up Hazardous Waste, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-92-82, July 28 (17 pages).

The growing number of federal hazardous waste cleanups represents a daunting challenge for the Environmental Protection Agency (EPA) and other federal agencies. Several issues may need to be addressed as Superfund reauthorization approaches. First, how can federal facility assessments be speeded up? Second, cleaning up federal waste sites will have a major impact on federal spending. The full force of this impact is still unknown, however, because of uncertain cost estimates. The sooner these uncertainties are resolved, the sooner the government can begin planning how best to accomplish these cleanups. Third, what risks do federal sites pose to human health and the environment, and how can these risks be compared? Fourth, will EPA be able to fulfill its oversight responsibilities for federal facility cleanups? Increasing numbers of federal Superfund facilities, some far larger and more complex than nonfederal sites, will dramatically expand EPA's oversight work load. EPA has already had difficulty in meeting its oversight requirements; its future ability to meet these requirements also appears questionable.

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## Financial Institutions

**Failed Bank:  
FDIC Documentation of CrossLand Savings, FSB, Decision Was  
Inadequate**

GAO/GGD-92-92, July 7 (23 pages).

In January 1992, the Office of Thrift Supervision closed CrossLand Savings, FSB, in Brooklyn, New York, and named the Federal Deposit Insurance Corporation (FDIC) receiver for the failed bank. The FDIC Board of Directors decided to delay final resolution of CrossLand—because it found the bids it had received to be more costly than interim FDIC control—by arranging to run it under a conservatorship for an interim period and then offer it again to the private sector. This report examines FDIC's resolution actions concerning CrossLand and discusses whether its decision to delay final resolution met the requirement that FDIC resolve a failed bank in a way that results in the least cost to the insurance fund.

**Securities and Futures Markets:  
Cross-Border Information Sharing Is Improving, But Obstacles Remain**

GAO/GGD-92-110, July 28 (76 pages).

In a recent international stock swindle, investors in as many as 45 countries were allegedly defrauded of more than \$150 million. Information sharing is crucial if U.S. and foreign regulators are to catch sophisticated con artists who spread their operations across many countries, a practice that makes it hard for any one regulator to investigate such activity. Yet international securities and futures markets still operate under national laws and regulations that can inhibit information sharing. This report discusses (1) the kinds of information various nations' securities and futures regulators need to share in order to fulfill their market oversight responsibilities, (2) the extent to which information is now shared, (3) the types and adequacy of arrangements used for information sharing, (4) whether and what kinds of impediments exist to sharing information and how these can be overcome, and (5) the effectiveness of existing international organizations in addressing issues related to international information sharing.

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**Financial  
Management**

**Financial Management:  
BIA Has Made Limited Progress in Reconciling Trust Accounts and Developing a Strategic Plan**

GAO/AFMD-92-38, June 18 (19 pages).

The Bureau of Indian Affairs (BIA) has a fiduciary responsibility to ensure that proper control and accountability are maintained over each account

in the Indian Trust Funds, something BIA has failed to achieve. Recent BIA efforts to reconcile and audit the Indian trust fund accounts have shown that a complete reconciliation of the accounts would be unreasonably expensive and, for many accounts, impossible. After spending seven months and more than \$1.7 million to gather and organize account information and revise its reconciliation methodology, BIA's contractor is still trying to reconcile the fiscal year 1990 tribal account transactions. Missing records continue to be a problem. The bulk of the problems are internal to BIA—things such as poorly designed accounting systems, weak internal controls, and untrained staff. Some issues, however, are external and not under BIA's control. For instance, BIA depends on accurate and complete land ownership records to properly distribute revenues. Yet audits and studies have uncovered persistent problems with these records. In addition, the accuracy and completeness of information BIA receives from the Minerals Management Service on royalty income has been called into question. Although BIA recognizes the seriousness of the situation, little progress has been made in resolving the problems. GAO recommends that BIA develop a comprehensive strategic plan that will address interfaces between other systems and operations affecting trust fund accounting, such as the land records and reporting by the Minerals Management Service. GAO summarized this report in testimony before Congress; see:

Financial Management: Problems Affecting BIA Trust Fund Financial Management, by Jeffrey C. Steinhoff, Director of Civil Audits, before the Senate Select Committee on Indian Affairs. GAO/T-AFMD-92-12, July 2 (11 pages).

**Congressional Award Foundation:  
Internal Controls Must Be Strengthened to Ensure Financial  
Success**

GAO/AFMD-92-80, June 23 (six pages).

The Congressional Award Foundation is a private, nonprofit, tax-exempt organization established in 1979 to promote public service, personal development, and physical fitness among youth. During the first four months of 1992, the Foundation received increased contributions, which improved its financial position and ability to meet obligations in a timely manner. The Foundation continues to experience several lingering internal control problems, however, including problems in preparing its financial statements. The Foundation's ability to operate in a financially sound

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manner partly depends on its ability to strengthen its internal controls, specifically by hiring or otherwise acquiring access to staff with more financial management expertise.

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## Testimony

**Comments on S. 2748: Proposed Library of Congress Fund Act of 1992**, by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Senate Committee on Rules and Administration. GAO/T-AFMD-92-13, July 22 (seven pages).

Last year, in its first financial audit of the Library of Congress, GAO reported on several problems, including the unauthorized use of revolving gift funds. GAO was concerned that the Library had exceeded its statutory authority by running 12 revolving gift funds to finance activities like the sale of photo duplications, recordings, and publications. S. 2748 would remedy these concerns by giving the Library authority to transfer the revolving gift funds into a new consolidated revolving fund. GAO also supports a provision of the bill that would restrict obligations for the revolving fund activities to the amounts specified in the appropriations act for any fiscal year, thereby allowing for congressional oversight of the kinds of services to be provided through the fund. GAO also discussed three other issues relating to the proposed legislation: (1) the Library's needs for better accounting systems, procedures, and controls to accurately account and bill for the reimbursable activities; (2) the value of preparing annual financial statements for those activities and having them audited; and (3) the effect of investing revolving fund monies in public debt securities.

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## Government Operations

### **Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders**

GAO/NSIAD-92-88, May 12 (23 pages).

GAO reviewed a random sample of 101 Multiple Award Schedule orders exceeding \$25,000 for automated data processing and telecommunications services at six procurement offices at NASA, the National Institutes of Health, the International Revenue Service, and the military. This report discusses the extent to which these procurement offices complied with requirements to (1) publish preaward synopsis notices in the Commerce Business Daily, (2) describe the federal information processing requirements in the synopsis notices in terms that do not restrict competition, and (3) document the results of the synopsis notices and

show that the procurement met the government's needs at the lowest possible cost. GAO also evaluates the extent to which Commerce Business Daily notices generated responses from suppliers and how anticipated administrative costs of buying in the commercial open market affected agencies' decisions about how to fulfill Multiple Award Schedule requirements.

**Multiple Award Schedule Purchases:  
Changes Are Needed to Improve Agencies' Ordering Practices**

GAO/NSIAD-92-123, June 2 (62 pages).

The Multiple Award Schedule program is designed to help federal agencies buy a wide range of commercial goods, everything from office supplies to personal computers, in a simplified way. Yet GAO found that agencies' purchasing practices under the program do not always result in the selection of the lowest overall cost alternative. For the most part, procurement offices fill user requests for a specific manufacturer's product without checking to see whether other items could satisfy the order at a lower cost. GAO found lower-cost goods and services for 19 of the 47 procurements it reviewed in depth, alternatives that might have shaved as much as 10 percent off the \$3 million spent on the procurements. Further savings might have been possible had the agencies not limited purchase requests to specific manufacturers' products. Procurements under the Multiple Award Schedule program receive little management and oversight from procurement offices, federal agencies, or the General Services Administration (GSA). GSA and agency procurement officials generally agree that automating program information would facilitate product and price comparisons and promote purchases of lower-cost alternatives.

**Political Appointees:  
Number of Noncareer SES and Schedule C Employees in Federal Agencies**

GAO/GGD-92-101FS, June 8 (21 pages).

This fact sheet provides information on the number and placement of political appointees in the federal government. GAO discusses (1) the number of noncareer Senior Executive Service (SES) and Schedule C appointees at each agency and department and governmentwide; (2) the number of career SES members governmentwide; and (3) the number,

placement, and employment trends of noncareer SES and Schedule C appointees at five agencies—the Department of Education, the Environmental Protection Agency, the Department of Housing and Urban Development, the Small Business Administration, and the U.S. Information Agency.

**Employee Drug Testing:  
Estimated Cost to Test All Executive Branch Employees and New Hires**

GAO/GGD-92-99, June 10 (nine pages).

Although the precise cost of drug testing federal workers in the executive branch is unknown, GAO estimates that total expenses could top \$168 million annually if all executive branch employees and new hires were tested. GAO estimates that each agency would spend about \$43 per test, including the review of test results by a doctor, purchase and submission of blind testing specimens for quality assurance, and collection of specimens from employees.

**Executive Furniture:  
Financial Regulatory Agencies' Procurement Policies**

GAO/GGD-92-102, June 29 (21 pages).

When the Office of the Comptroller of the Currency (OCC) moved into new quarters in mid-1991, reports of extravagant redecorating surfaced, including the purchase of marble conference tables supposedly costing nearly \$5,000 and a china service valued at more than \$2,500. A congressional report questioned whether such lavish spending was appropriate for a federal agency overseeing the financially troubled banking industry. GAO examined whether OCC and other financial regulatory agencies have procurement guidelines to prevent purchases of excessively priced executive furniture. GAO identified three policies to help avoid such purchases. These policies include (1) using Federal Supply Schedules of the General Services Administration for smaller purchases and competitive acquisitions for larger purchases, (2) limiting furniture purchases to essential needs, and (3) prohibiting purchases of "top-of-the-line" furniture. With one exception, all six agencies GAO reviewed use these three criteria. The Office of Thrift Supervision does not have a policy specifically banning the purchase of top-of-the-line furniture. GAO also notes that the Federal Deposit Insurance Corporation has only

proposed policies, and that occ's policies have only recently been adopted formally. However, GAO believes that the six agencies' policies generally provide adequate guidance on how to avoid buying top-of-the-line furniture.

**Pay Equity:  
Washington State's Efforts to Address Comparable Worth**

GAO/GGD-92-87BR, July 1 (37 pages).

Washington state, often cited as being in the forefront of efforts to address comparable worth, has been exploring this issue for almost 20 years. As of December 1991, Washington state had nearly 60,000 government workers in more than 3,000 job classifications. This briefing report provides information on actions taken by Washington state to provide equal pay for work of comparable value in government jobs.

**Federal Health Benefits Program:  
Open Season Processing Timeliness**

GAO/GGD-92-122BR, July 8 (nine pages).

GAO reviewed the timeliness of changes to health insurance that had been requested by federal workers or retirees during "open season." Overall, GAO discovered that more than half of the 104,000 changes it reviewed were unrecorded on insurance carriers' records by the effective date of the change. Almost all changes were recorded, however, within 60 days of the effective date. Wide variation in recording changes suggests that some agencies and carriers may have better ways of processing changes than others. GAO has told the Office of Personnel Management (OPM) that recording times could be improved by using a comparison or "benchmarking" effort in which the processes used by the most timely agencies and carriers are examined. OPM agrees with GAO's suggestion and has laid out a three-part plan to improve the timeliness of processing changes.

**Federal Personnel:  
Special Authorities Under the Demonstration Project at Commerce**

GAO/GGD-92-124BR, July 13 (13 pages).

The Commerce Department's National Institute of Standards and Technology (NIST) is participating in a personnel demonstration project designed to enhance the agency's ability to recruit and retain highly qualified personnel. GAO compared the personnel management authorities available under the demonstration project with those available to NIST under other personnel laws and rules, particularly the Federal Employees Pay Comparability Act of 1990. While a number of authorities used by NIST under the demonstration project are already available under other personnel rules, the demonstration project does provide NIST with special authorities in such areas as pay banding and pay-for-performance.

**Grant Management:  
Benefits and Burdens of Increasing NSF Financial Reporting  
Requirements**

GAO/RCED-92-201BR, July 13 (18 pages).

The National Science Foundation (NSF), an independent federal agency established more than 40 years ago to bolster scientific progress in the United States, funded more than 25,000 active research grants in 1992, mainly at universities. Because of congressional concerns about NSF's ability to effectively manage its growing volume of grants—NSF relies heavily on grantee institutions to ensure that funds are spent in accordance with federal guidelines—this fact sheet provides information on NSF's financial reporting requirements. GAO discusses (1) NSF financial reporting requirements, (2) the extent to which NSF grant funds have been shifted between budget categories and whether large individual budget shifts were used appropriately under current NSF guidelines, and (3) the views of NSF and university officials on increased financial reporting requirements.

**Voice of America:  
Management Actions Needed to Adjust to a Changing Environment**

GAO/NSIAD-92-150, July 24 (58 pages).

The Voice of America's (VOA) efforts to modernize its facilities have been hampered by delays and have not received the funding anticipated when the program began almost a decade ago. As a result, of 16 planned stations, two are completed and two are under construction. As budgets have shrunk, VOA and the U.S. Information Agency have slashed funding for audience research. VOA is now deciding on program content and

broadcast facility needs without adequate information on audience characteristics and broadcast quality. VOA has increased the number of languages in which it broadcasts, even though staff and funding levels have not risen. It has proposed discontinuing broadcasts in some languages to help maintain program quality but, due to congressional concerns, has not done so. VOA officials said that the agency has received little formal input from the U.S. diplomatic community on which language broadcasts should be priorities. New technology and open societies are changing the outlook for international broadcasting. Television and radio are becoming more reliable sources of information in Eastern Europe and the former Soviet Union and are increasing their audiences at the expense of international broadcasters. VOA relies mostly on shortwave broadcasting but is now studying and using new broadcasting methods and technologies, such as providing programs for rebroadcast on foreign radio networks.

**Block Grants:  
Increases in Set-Asides and Cost Ceilings Since 1982**

GAO/HRD-92-58FS, July 27 (64 pages).

Block grants are made to state and local governments to help them provide services and programs in such areas as health care and social services. This fact sheet reviews changes to the legislation authorizing block grant programs to see how restrictions placed on recipients have changed. GAO focuses on set-asides and cost ceilings, which directly restrict how state and local grantees may use their funds.

**Federal Employment:  
Poor Service Found at Federal Job Information Centers**

GAO/GGD-92-116, July 28 (17 pages).

The poor service and problems GAO staff encountered while posing as job seekers at Federal Job Information Centers around the country suggest that "Uncle Sam does not want you" and reinforce reigning stereotypes of the government and its workers. These centers exist to provide leads and general information on government jobs in cities across the country. The centers are supposed to answer questions about federal job opportunities and the application process and provide application forms. Yet GAO encountered many obstacles at the centers that would likely frustrate prospective applicants and possibly discourage them from pursuing

federal jobs. For example, repeated telephone calls were often required to reach a center. Printed material and computer services at the centers could answer only the most basic questions about federal employment. Although 12 of the 20 centers GAO visited were staffed by Office of Personnel Management information specialists, they were usually available only part of the day. The information specialists were better than the computers at handling questions about federal employment, although their answers were sometimes incomplete or inaccurate.

**Federal Sector Management:  
Reports and Testimony, 1991**

GAO/GGD-92-100, July 1992 (73 pages).

This publication contains summaries of GAO reports and testimony on federal sector management issues issued in 1991. Topics range from census reform to management of the S&L bailout to federal workforce diversity. An order form is included to obtain documents that are of interest.

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Testimony

Census Reform: Questionnaire Test Shows Simplification Holds Promise, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-92-59, July 1 (13 pages).

Improving public cooperation is crucial to controlling census costs and ensuring high-quality data. The Census Bureau's test of simplified census questionnaires this year shows that making them more user friendly, adopting a strategy of multiple mail contracts, and reducing the number of questions improves public cooperation. These test results have important implications for a range of census operational issues. The results also raise difficult policy questions on the trade-offs that must be made between the cost of the census and the content and geographic detail of the data collected.

The Changing Workforce: Demographic Issues Facing Employers, by Rosslyn S. Kleeman, Director of Federal Workforce Future Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-92-61, July 29 (16 pages).

The civilian labor force has changed dramatically in recent decades and is expected to change even more in the future. The most striking demographic change has been the wholesale entry of women into the workforce, particularly married women with children. Two other major demographic trends are the growing numbers of racial and ethnic minorities in the workforce and the greying of the labor force, driven largely by the aging of the baby boomers. In response, more and more employers are offering (1) child care, flexible work schedules, and other benefits to help employees balance work and family responsibilities; (2) diversity training; and (3) phased retirement or other strategies to utilize the skills of retirees. This testimony focuses on a series of recent GAO reports describing these changes to the workforce and programs developed by employers—including the federal government—in response to these changes.

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## Health

### **Access to Health Care: States Respond to Growing Crisis**

GAO/HRD-92-70, June 16 (84 pages).

States have taken the lead in expanding access to health insurance and containing the growth of health care costs. They have had a difficult time, however, overcoming federal legislation preempting state authority to regulate self-insured employer health plans. States that have tried to move toward coverage of all their citizens have had to work within the constraints of the federal law. One strategy used by Massachusetts and Oregon has been to create “play or pay” systems that rely on the state’s power to tax. Employers who provide health insurance to employees generally receive a credit for the amount they spend on coverage; those who do not must pay a tax to help finance state-brokered insurance. These laws are expected to face legal challenges, however, and the outcome is uncertain. Some state initiatives have been more narrowly focused, creating programs to help specific groups, such as low-income children and adults. These programs have successfully extended coverage to some residents, but state budget problems have meant that only a fraction of the uninsured population is being served. State efforts to help the medically uninsurable and small business employees gain access to coverage through the private health insurance market have also achieved modest results. In addition, some states have implemented payment reforms to control medical inflation and reduce administrative costs. Maryland, for

example, has lowered cost growth through its hospital rate-regulation system.

**Medicaid:**

**Ensuring That Noncustodial Parents Provide Health Insurance Can Save Costs**

GAO/HRD-92-80, June 17 (32 pages).

In fiscal year 1990, the states and the federal government spent \$18 billion on medical assistance for low-income families with children. GAO found that the states are not ensuring that noncustodial parents provide health insurance for their children, even when such insurance is available through the noncustodial parents' employers. GAO estimates that the states and the federal government could save at least \$122 million in medical costs annually if noncustodial parents provided health insurance available through their jobs. Two main problems limit the effectiveness of state enforcement. First, federal requirements are vague, allowing wide variability in the laws and practices states have adopted to enforce medical support. Second, employers covered by the Employee Retirement Income Security Act of 1974 who self-insure can exclude a noncustodial parent's children from coverage. Since state authority over these employers' plans is limited, states cannot compel their compliance with state medical support requirements. GAO recommends that Congress require states to pass effective enforcement laws and that state medical support responsibilities be clarified. GAO also recommends that Congress broaden current state authority over plans covered by the Employee Retirement Income Security Act.

**Medicare:**

**Program and Beneficiary Costs Under Durable Medical Equipment Fee Schedules**

GAO/HRD-92-78, July 7 (27 pages).

The fee schedule payment system for durable medical equipment sold or rented to Medicare patients—everything from wheelchairs to oxygen tents—has resulted in both Medicare and its beneficiaries paying more than they would have under the former reasonable charge system. For the high-volume items GAO reviewed, Medicare costs increased 17 percent in 1989. The recent legislative changes to the fee schedule payment system will return Medicare payments, in 1989 dollars, to the level that would

have been incurred under the former reasonable charge system. The wide payment variations across geographic areas that existed under both the reasonable charge method and the fee schedules will be substantially reduced under the recent legislative changes.

**Health Care:  
Most Community and Migrant Health Center Physicians Have  
Hospital Privileges**

GAO/HRD-92-98, July 16 (20 pages).

Most doctors at community and migrant health centers have admitting privileges at local hospitals. Those who do not often have not applied for privileges because (1) physicians prefer not to have an inpatient practice, (2) they do not meet a hospital's professional criteria, or (3) the distance from the doctor's residence or practice to the hospital is too far to allow for effective coverage of patients. In addition, 29 community and migrant health centers have no doctors with privileges. The lack of physician admitting privileges at a local hospital does not, however, prevent patients at these centers from gaining access to inpatient care. Alternative means, such as referrals to outside physicians with hospital privileges and to publicly funded hospitals, are used by the centers to help ensure that their patients have access to hospital services. Few doctors at the centers have been denied hospital admitting privileges because they failed to meet a hospital's criteria, although 42 centers indicated that they employ one or more doctors who have not applied for privileges because of doubts about whether they would meet professional or other hospital criteria.

**Prescription Drug Monitoring:  
States Can Readily Identify Illegal Sales and Use of Controlled  
Substances**

GAO/HRD-92-115, July 21 (16 pages).

Several hundred million doses of prescription drugs like morphine and codeine are diverted to illicit use each year, but several states have developed monitoring programs that seem to be effective in curbing the illegal practice. Drug diversions can involve the illegal sale of prescriptions by physicians, illegal dispensing by pharmacists, or "doctor shopping" by individuals who visit many doctors to obtain prescriptions. GAO reviewed the 10 existing state prescription drug monitoring programs and found that they save investigators' time and improve their productivity by providing

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information that allows them to identify potential cases of drug diversions. Prescription drug monitoring programs were not meant to measure their effect on reducing health care costs; however, two of the states with these programs have cut Medicaid prescription costs by an estimated \$27 million over two years and \$440,000 over one year, respectively. The other eight states were unable to estimate Medicaid savings. Claims by medical, pharmaceutical, and patient groups that prescription drug monitoring programs have harmed a doctor's ability to practice medicine or have compromised patient care or confidentiality have not been substantiated.

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Testimony

Health Insurance: More Resources Needed to Combat Fraud and Abuse, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Senate Committee on the Judiciary. GAO/T-HRD-92-49, July 28 (nine pages).

Only a fraction of health care fraud and abuse is ever detected and prosecuted. Those cases, however, have involved substantial sums. Due to a lack of staff and money, effective investigation and pursuit of health care fraud has been impossible, allowing dishonest health care providers to stay in business. An essential health care goal must be to improve insurers' access to legal and punitive remedies to fraud and abuse. Yet more resources alone will not successfully overcome fraud and abuse. Structural issues like limitations on information sharing among insurers and incompatible data systems allow unscrupulous providers to move from one insurer to the next. GAO believes that Congress should convene a national health care fraud commission composed of private and public payers, providers, and law enforcement agencies. In GAO's view, such a commission would be best able to weigh possible trade-offs: greater information sharing among insurers versus concerns about privacy and antitrust issues, greater regulation of provider ownership arrangements versus concerns about restraining competition, and investment of resources in health care fraud versus the devotion of resources to other criminal investigations.

Medicaid Prescription Drug Diversion: A Major Problem, But State Approaches Offer Some Promise, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the House Select Committee on Narcotics Abuse and Control. GAO/T-HRD-92-48, July 29 (16 pages).

State Medicaid agencies have become more aggressive in cracking down on the pervasive problem of fraudulent reselling of prescription drugs.

Typically, "pill mills," which can be doctors' offices, clinics, or pharmacies, provide medically unnecessary prescriptions to Medicaid recipients, who then sell the drugs to a pharmacist or other intermediary for cash or merchandise. States like New York have adopted several promising approaches, including tighter controls on provider enrollment, electronic verification of claims, and earlier and more sophisticated analysis of provider and recipient profiles. Yet new schemes that elude detection are appearing constantly. Other steps that some states are taking include (1) enacting state laws making Medicaid fraud a felony, (2) beefing up law enforcement efforts to apprehend responsible parties, (3) providing greater penalties for convicted providers, and (4) intensifying efforts to recover losses by penetrating the corporate veil and through practices such as requiring performance bond postings and freezing assets.

## Housing

### **Rental Housing:**

#### **Our Casas Resident Council's Use of Technical Assistance Grant Funds**

GAO/RCED-92-132FS, Mar. 2 (13 pages).

This fact sheet reviews how the Our Casas Citywide Resident Council—a nonprofit resident management council in San Antonio, Texas—used technical assistance grant funds provided by the Department of Housing and Urban Development (HUD). In May 1990, HUD awarded the Our Casas group an \$88,000 grant to help train resident managers in public housing. GAO discusses (1) how the grant funds are being spent by the Our Casas group and whether the expenditures are in keeping with the purposes of the grant and (2) whether Our Casas received other federal funding.

### **Rural Rental Housing:**

#### **Incentives Maintain Low-Income Housing But Clearer Guidance Needed**

GAO/RCED-92-150, June 23 (22 pages).

The Farmers Home Administration (FmHA) is authorized to provide housing project owners with various financial incentives, such as equity loans, to encourage them to keep their apartment buildings in FmHA's rural rental housing program rather than prepaying their loans and ending their involvement in the program. Although FmHA has been successful in preserving its rural rental housing inventory and preventing displacement

of low-income tenants, the financial incentives FmHA provided to achieve these goals were substantial, and, in some cases, larger than they should have been. The \$69-million tab to preserve nearly 6,000 apartment units may actually be higher because costs associated with the return on investment and rental assistance incentives are unknown. Although FmHA has developed a draft final regulation that should end the payment of excessive financial incentives, the final regulation has been continually delayed because of higher priorities.

**Urban Poor:  
Tenant Income Misreporting Deprives Other Families of  
HUD-Subsidized Housing**

GAO/HRD-92-60, July 17 (68 pages).

A computer match of IRS tax data with the income reported to local authorities by 175,000 households to establish their eligibility and rent payments for federally subsidized housing found 21 percent of the households may have underreported their incomes by as much as \$138 million. The Department of Housing and Urban Development (HUD) provides more than \$13 billion in housing subsidies to 4.6 million needy families, but millions of more needy families may be going without decent housing because HUD lacks an accurate, centralized system to verify eligibility and household income data for families living in subsidized units. The income underreporting uncovered by GAO resulted in excess federal subsidies of \$41 million for 1989 alone. A centralized income and eligibility verification system could help HUD ensure that subsidized households are paying appropriate rents and that needy, very low-income families have access to subsidized housing.

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**Income Security**

**Private Pensions:  
Changes Can Produce a Modest Increase in Use of Simplified  
Employee Pensions**

GAO/HRD-92-119, July 1 (21 pages).

Although Congress created simplified employee pension plans nearly 15 years ago to boost small business sponsorship of retirement plans, their impact on worker coverage has been minimal; recent estimates show that only between one and four percent of small business employees participate in such plans. In part, the limited use of these plans stems from

factors associated with low rates of retirement plan sponsorship generally among small business. Many small businesses, for example, have low or unpredictable profits and are concerned about the cost of providing additional employee benefits. While simplified employee pension plans are easier to set up and administer than other small business retirement plans, they do not address many of the factors that discourage plan sponsorship. Thus, for many employers simplicity alone is not enough incentive for plan sponsorship. Current proposals before Congress could improve the attractiveness of such plans to small employers, although the overall effect on sponsorship is likely to be quite modest. Most small employers have indicated that they would sponsor a plan only if their profitability increased or workforce characteristics changed.

**Income Security:  
Reports Issued From Fiscal Year 1988 Through June 1992**

GAO/HRD-92-122, July 1992 (38 pages).

The \$500 billion spent each year on income security programs, such as social security and welfare, accounts for more than 60 percent of the domestic federal budget. This document lists all GAO reports issued between fiscal year 1988 and June 1992 on income security issues. Reports issued in 1992 are accompanied by summaries, while earlier reports are listed by title according to various subject areas, from "Financing Retirement Programs" to "Breaking the Poverty Cycle." An order form is included to obtain documents that are of interest.

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**Testimony**

Comments on the Social Security Notch Issue, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-92-46, July 23 (12 pages).

The Social Security "notch" refers to a perceived inequity in benefits for people born between 1917 and 1921, due to a change in benefit computation introduced in 1977 amendments to the Social Security Act. GAO testified that notch babies generally collect more benefits than most coming before or after them, and the perception that they receive less is based on a comparison with a group that got an unintended windfall from the system as a result of a flawed benefit formula. GAO believes that a "fix" is not warranted and that proposed legislation to address the notch issue should not be pursued.

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## International Affairs

### **Chilean Trade: Factors Affecting U.S. Trade and Investment**

GAO/GGD-92-106, June 12 (29 pages).

Since the mid-1970s, Chile has moved further and faster than any other Latin American country towards free market reform and trade liberalization. This report provides information on (1) Chile's trade and investment policies and U.S. concerns about these policies, (2) specific factors that may affect U.S. investment in Chile's mining industry and agricultural trade with Chile, and (3) U.S. government efforts to promote trade with and investment in Chile. GAO summarized this report in testimony before Congress; see:

Chilean Trade: Factors Affecting U.S. Trade With and Investment in Chile, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittees on International Economic Policy and Trade and on Western Hemisphere Affairs, House Committee on Foreign Affairs. GAO/T-GGD-92-58, July 1 (13 pages).

### **South American Oil: Marginal Producers Not a Likely Source for Increased U.S. Imports**

GAO/NSIAD-92-227, June 16 (14 pages).

GAO reviewed the petroleum industries of the following eight South American countries that produce petroleum but are not major exporters: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, and Trinidad and Tobago. This report discusses (1) the amount of crude oil the United States imports from the eight countries, (2) expected crude oil production for these countries through the year 2010, and (3) investment reforms that these countries have recently made in their petroleum industries. In general, although the United States imports some oil from these countries, as a group, the eight countries are currently net oil importers because combined domestic oil consumption exceeds oil production. Furthermore, the net oil imports are expected to continue to increase through the year 2010, making it unlikely that the United States will obtain increased oil shipments from these countries.

**International Trade:  
Romania Trade Data**

GAO/GGD-92-114, July 20 (28 pages).

Romania held most-favored-nation (MFN) status from 1975 until 1988, at which time the Ceausescu regime relinquished it in the face of mounting U.S. objections to Romanian human rights violations. Although Romania underwent major changes in 1989, the United States continued to withhold MFN trade status because of concerns about the commitment of the new Romanian government to democratic principles, respect for human rights, and market reform. In response to Romanian progress in these areas, the administration has begun steps toward restoring MFN status. This report provides data on (1) the leading U.S. imports from Romania from 1985 to 1991, (2) the impact of MFN status on tariff rates for leading U.S. imports from Romania, (3) leading U.S. exports to Romania from 1985 to 1991, and (4) the near-term economic and trade outlook for Romania.

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**Testimony**

Agricultural Trade: High-Value Products and U.S. Export Promotion Efforts, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-GGD-92-64, July 28 (12 pages).

GAO believes that promoting high-value agricultural products has merit, but the amount of federal funds to be spent on such assistance and how they should be used should not be determined in isolation. In GAO's view, the most important consideration is that a long-term agricultural trade strategy be developed and integrated into a comprehensive governmentwide export promotion plan in order to ensure that taxpayer dollars are effectively spent.

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**Justice and Law  
Enforcement**

**War on Drugs:  
Heroin Price, Purity, and Quantities Seized Over the Past 10 Years**

GAO/GGD-92-95FS, May 27 (17 pages).

In response to congressional concerns about great availability of heroin in the United States, this fact sheet provides information for the past 10 years on the price and purity levels of heroin—two indicators of the drug's

availability—and on heroin seizures. GAO discusses whether progress has been made to reduce the frequency of double-counting of drug seizures caused by multiple agencies reporting the same seizure. In addition, GAO provides data specifically on New York City heroin seizures.

**The Drug War:  
Extent of Problems in Brazil, Ecuador, and Venezuela**

GAO/NSIAD-92-226, June 5 (26 pages).

The precise extent of narcotics activities in Brazil, Ecuador, and Venezuela is unknown. U.S. and foreign officials believe that coca is being grown and refined in the three countries but that production levels are insignificant in comparison with those in Colombia, Bolivia, and Peru. Yet these same officials also believe that drug trafficking, money laundering, and other drug-related activities are growing problems. Brazil, Ecuador, and Venezuela have limited counternarcotics programs and receive little U.S. assistance. Combating narcotics activities is not a priority for these countries, which devote their limited resources to other pressing needs. Additionally, the lack of coordination and cooperation among host country agencies and U.S. agencies involved in counternarcotics has impeded efforts to combat drug production and trafficking. Further, host government corruption continues to be a problem. Bilateral and regional cooperation in antidrug efforts is starting to develop.

**Immigration Control:  
Immigration Policies Affect INS Detention Efforts**

GAO/GGD-92-85, June 25 (61 pages).

Proposals to tighten the nation's borders and to speed the expulsion of deportable aliens must deal with complex and sensitive issues, such as constitutional protections, international relations, humanitarian concerns, and difficult budgetary tradeoffs. Almost half a million illegal aliens apprehended by the Immigration and Naturalization Service (INS) between 1988 and 1990 were detained for a variety of reasons, including criminal activity. Yet according to information on average length of detention per alien, INS has only enough room for about 99,000 aliens a year at its current facilities. INS has been releasing criminal aliens and has declined to pursue illegal aliens because it has no room in which to hold them. INS' planned addition of more than 2,000 beds by 1996 will not significantly alleviate current space shortages. Detaining all such aliens in current facilities is

impractical and too costly. On the other hand, detaining only some aliens may mean that aliens in similar circumstances are treated differently. Although INS has made a good faith effort to implement its national priority system for determining which aliens to detain, GAO found that INS does not treat excludable aliens consistently—some were released within a few days while others remained in detention for long periods of time. In GAO's view, INS' inadequate detention space is symptomatic of a larger problem: The need for the government to come to a consensus on whether and how best to control the U.S. border and remove illegal aliens. Until these issues are more fully resolved, GAO believes that it is unreasonable to expect INS to overcome its space problems.

**FBI:  
Advanced Communications Technologies Pose Wiretapping  
Challenges**

GAO/IMTEC-92-68BR, July 17 (23 pages).

Since the mid-1980s, the FBI has been concerned that its wiretapping abilities have not kept pace with the rapid spread of new technologies, such as cellular telephones and satellites. The Bureau considers wiretapping an essential information gathering tool in fighting crime. This report discusses the (1) technological alternatives available or soon-to-be available to the FBI to wiretap voice and data communications, (2) changes required to the telecommunications network to accommodate least intrusive wiretaps, and (3) estimated cost of developing and implementing such changes.

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**National Defense,  
Security, and Military  
Procurement**

**Defense Technology Base:  
Risks of Foreign Dependencies for Military Unique Critical  
Technologies**

GAO/NSIAD-92-231, June 5 (16 pages).

In a world economy, foreign sources of technology abound in both the commercial and defense sectors. Concerns have arisen that the United States might become so dependent on foreign sources that future weapons development might become compromised. This report examines U.S. dependence on foreign state-of-the-art technologies and its effect on U.S. leadership in critical technologies with primarily military applications. GAO discusses (1) the critical technologies considered by the Defense

Department to have principally military uses, (2) the capabilities of other countries relative to the United States in key areas of those technologies, and (3) how the capabilities of other countries in those technologies affect U.S. national security.

**Defense Procurement:  
DOD Concerns Regarding Acceptance of FAA's Spare Parts Approvals**

GAO/NSIAD-92-209, June 18 (11 pages).

GAO reviewed proposals that would require the Defense Department (DOD) to (1) accept Federal Aviation Administration (FAA) approvals on spare parts unless DOD provides specific reasons for not accepting the approvals and (2) adopt the FAA practice of designating individuals who are not employees to approve spare parts on behalf of the agency. Neither agency maintains data on all the parts used by both civil and military aviation, and manufacturers do not make this information readily available. Both DOD and FAA officials believe that the proposals would be impractical because their agencies' missions and spare parts approval processes differ substantially. DOD and FAA officials acknowledge that their spare parts approval processes are complex and subjective, but they believe that their separate approaches are necessary for ensuring that those parts meet the different standards of each agency.

**Operation Desert Storm:  
Comparing Peacetime and Wartime Unit Price Change Patterns**

GAO/NSIAD-92-196, June 18 (11 pages).

In response to concerns about price gouging by contractors in the wake of the Persian Gulf war, GAO reviewed the unit prices associated with certain Defense Department purchases made to support Operations Desert Shield and Desert Storm. This report (1) compares wartime unit prices to peacetime unit prices for similar items to determine the extent that prices changed, (2) determines whether the war resulted in a pattern of higher prices that differed significantly from those seen during peacetime, and (3) reviews transactions involving large percentage increases in unit prices to ascertain the reasons for those increases.

**Operation Desert Storm:  
Race and Gender Comparison of Deployed Forces With All Active  
Duty Forces**

GAO/NSIAD-92-111FS, June 25 (62 pages).

The proportion of blacks in the active duty force deployed in Operations Desert Shield and Desert Storm was three-percent higher than their proportion in the total active duty force. The proportion of whites deployed was four-percent lower than their proportion in the total active duty force. The deployed active duty force also contained a higher proportion of men than the active duty force as a whole. Men also comprised a considerably higher proportion of both total and deployed active forces than they represent in the general population. Women, on the other hand, make up more than half of the U.S. population and 11 percent of the active duty forces yet represented only six percent of the active duty deployed personnel. Pentagon officials attribute this situation to the combat exclusion restrictions that reduce the number of women assigned to units and job categories most likely to be included in a hostile deployment.

**DOD Environmental Cleanup:  
Information on Contractor Cleanup Costs and DOD Reimbursements**

GAO/NSIAD-92-253FS, June 26 (six pages).

Although the Defense Department (DOD) does not collect information on its contractors' past and future cleanup costs of reimbursement, substantial data may be available on this subject. GAO inquiries at the Pentagon about the 15 largest contractors revealed at least partial information on most past and future cleanup costs. The data GAO obtained reveal that 10 contractors have already incurred investigation and initial cleanup costs totaling nearly \$300 million. GAO also obtained at least partial projections of future cleanup costs that range as high as \$1.1 billion. Four of the 15 contractors reported receiving DOD reimbursements totaling about \$59 million. Future DOD payments to contractors could rise significantly after long-term cleanup efforts begin. Four contractors have filed claims with DOD already, and others may file claims in the future.

**Nuclear-Powered Ships:  
Accounting for Shipyard Costs and Nuclear Waste Disposal Plans**

GAO/NSIAD-92-256, July 1 (43 pages).

Using Puget Sound Naval Shipyard as a model, GAO examined the Navy's accounting practices at nuclear shipyards. In fiscal year 1991, Puget Sound worked on 24 nuclear-powered and three conventionally powered ships. About 31 percent of the workdays and 35 percent of total costs were for nuclear work. The average cost per workday for nuclear labor was 25 percent higher than for non-nuclear work, and the average cost per day for overhead for nuclear work was about 60 percent higher. These higher costs are due to the complexity of nuclear work, which requires a higher level of services, and the higher cost of specially trained workers and specialized shipyard departments that support nuclear work.

**Military Aircraft:  
C-17 Wing Flap Requires Additional Testing**

GAO/NSIAD-92-160, July 8 (14 pages).

The C-17 military transport aircraft being developed for the Air Force by McDonnell Douglas is designed to land in small or difficult airfields by approaching at much lower speeds and with steeper descents than conventional aircraft. Flap performance is vital to the C-17's unique capability, but testing an early flap design showed that the flap had a life expectancy of about 400 flight hours, far short of the contract performance requirement of 30,000 flight hours. The contractor has strengthened the flap design but has not retested it. GAO believes that the Air Force should establish test plans for the flap before the aircraft goes into production.

**Attack Warning:  
Status of the Survivable Communications Integration System**

GAO/IMTEC-92-61BR, July 9 (18 pages).

Management and development problems with the Survivable Communications Integration system—an automated communications network designed to transmit missile attack warnings to the nation's leaders by both phone lines and satellite—have contributed to a 65-percent increase in program costs and a three-year delay in completion. Because the prime contractor was unable to deliver a system that could

process sensor data fast enough to meet specifications, the Air Force allowed the contractor to replace the computer platform, for the second time at government expense, with a faster, more powerful model. The Air Force has also reduced the number of communications media to be used from five to three, thus reducing the system's survivability—a key factor for its justification. According to the Air Force, commercial high-speed phone lines would probably be the first communications medium to go down during a nuclear attack. If a nuclear strike should occur before the military's satellite system became operational, attack warnings could be sent by only one satellite system.

**Strategic Bombers:  
Need to Redefine Requirements for B-1B Defensive Avionics  
System**

GAO/NSIAD-92-272, July 17 (four pages).

Should Congress provide more funds for the Air Force's current plan—the CORE program—to upgrade the B-1B defense avionics system? In GAO's view, more testing of the system is not necessary to determine whether to implement the CORE program. Flight testing has shown that the CORE modifications would provide similar operational capabilities to, and offer some survivability improvements over, the existing defense avionics system. The only reason for additional testing would be to prove that some problems with the maintenance diagnostic system have been resolved. Initial testing revealed that while some improvements were achieved, user requirements were not met for such things as low false alarm rates and "cannot duplicate rates." Even if the maintenance diagnostic capabilities were fully demonstrated, however, the CORE system should not be implemented until it is known whether the defense avionics system design can support the B-1B's new role as a conventional bomber. Virtually all air defense systems and weapons fielded today could pose a future threat to the bomber force. The differences between nuclear and conventional operations are significant, and GAO does not believe that conventional capability can be estimated from earlier information on planned nuclear operations.

**Nuclear Submarines:  
Navy Efforts to Reduce Inactivation Costs**

GAO/NSIAD-92-134, July 21 (50 pages).

The Navy has embarked on a program to inactivate about 100 nuclear-powered submarines and fully dispose of about 85 inactivated submarines by the year 2000 at a total cost of about \$2.7 billion. At the end of fiscal year 1991, the Navy had begun inactivating 42 submarines. The Navy is trying to resolve environmental regulatory problems arising from the disposal of defueled nuclear reactor compartments and is trying a new approach for disposing of submarine hulls—submarine recycling. GAO notes two areas in which inactivation costs could be managed more effectively. First, the Navy needs to further standardize the way in which shipyards define and report costs so that shipyard performance can be compared and further efficiencies implemented. Second, by inactivating submarines at Puget Sound rather than at other shipyards, GAO estimates that the Navy could save as much as \$11.5 million per submarine. The Navy is addressing both areas.

**Navy Supply:  
Excess Inventory Held at the Naval Aviation Depots**

GAO/NSIAD-92-216, July 22 (27 pages).

To provide materials for depot maintenance, the six Naval Aviation Supply Depots run retail supply stores. At the end of fiscal year 1991, the supply stores held \$144 million in inventory, \$40 million of which was considered excess. This report examines depot material management practices to (1) evaluate depot efforts to minimize excess inventories and (2) determine whether the depots have complied with instructions prohibiting the accumulation of off-record, or unrecorded, inventory. Contrary to Navy guidance, the depots have generated and retained large inventories of excess material for many years. At times these excess inventory balances topped \$53 million, despite the write-off of \$138 million of excess material. Unrecorded material is also a long-standing depot problem, and GAO recommends that the Navy take steps to ensure that unrecorded material is identified, returned to inventory control, and not allowed to accumulate.

**NATO:  
A Changing Alliance Faces New Challenges**

GAO/NSIAD-92-252, July 22 (40 pages).

The North Atlantic Treaty Organization (NATO), responding to dramatic political changes in Europe and elsewhere, plans major force reductions,

especially in Germany. New emphasis will be given to troop buildups during a crisis. NATO has begun planning an immediate reaction force, a rapid reaction force, and six multinational corps. Some member nations' plans are consistent with NATO goals; others' plans appear inconsistent with the objective of creating a highly mobile and capable force. After completing its own military build down, the United States intends to maintain a substantial contribution to NATO's combined force structure.

**Military Education:  
Implementation of Recommendations at the Industrial College of  
the Armed Forces**

GAO/NSIAD-92-221, July 23 (48 pages).

Of the 41 recommendations made by the Panel on Military Education to the Industrial College of the Armed Forces at Fort McNair in Washington, D.C., more than half have been implemented, including two key recommendations on establishing a professional military education framework and obtaining quality civilian and military faculty members. Four of the 18 partially implemented recommendations relate to letter grades. Instead of letter grades, the College uses a detailed evaluation system to assess students in each of its seminars. The other partially implemented recommendations cover areas that are not fully within the College's control, such as faculty and student mixes, faculty and student quality, and student-to-faculty ratios.

**Missile Procurement:  
Limit Procurement of AMRAAMS Until the Missile's Lethality Is  
Improved**

GAO/NSIAD-92-243, July 30 (16 pages).

The Air Force and the Navy have asked for more than \$900 million in fiscal year 1993 to improve and continue procurement of the Advanced Medium Range Air-to-Air Missile (AMRAAM). Because of concerns about AMRAAM's lethality, the missile's effectiveness against enemy aircraft was reevaluated. As a result, 43 percent of the 15,450 AMRAAMS to be procured will boast improved warheads. Yet the accelerated schedule to introduce this upgrade involves significant risks, and there is a good chance that the program may slip, resulting in fewer improved missiles. Air Force officials said that the warhead improvements are needed in as many AMRAAMS as possible and that the number of improved AMRAAMS could be increased by

retrofitting the missiles with the new warhead. In GAO's view, delaying procurement of the 581 missiles projected for fiscal year 1993 until the lethality improvements are incorporated in the production lines would yield more improved missiles. Moreover, limiting future procurements until the lethality improvements are incorporated in production missiles would result in more improved missiles, without the need for retrofitting.

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## Testimony

Military Education: Issues at the National Defense University, by Paul L. Jones, Director of Defense Force Management Issues, before the Panel on Military Education, House Committee on Armed Services. GAO/T-NSIAD-92-46, July 23 (10 pages).

This statement presents the status of implementation of recommendations by the Panel on Military Education at the National War College and the Industrial College of the Armed Forces. Overall, each college has implemented or taken action to implement the 41 recommendations. Two areas that may affect the colleges' ability to attract and retain quality civilian faculty are (1) a Defense Department (DOD) proposal that academic material be reviewed for accurate representation of DOD and national military policies before public release of the material and (2) the governmentwide ban on receiving honoraria, which many faculty members have relied on to supplement their incomes in the past.

Russian Nuclear Weapons: U.S. Implementation of the Soviet Nuclear Threat Reduction Act of 1991, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Senate Committee on Foreign Relations. GAO/T-NSIAD-92-47, July 27 (nine pages).

The Nuclear Threat Reduction Act of 1991—passed in response to the turmoil associated with the collapse of the Soviet Union—provided \$400 million to transport, store, safeguard, and destroy Soviet nuclear and chemical weapons. Preventing the proliferation of such weapons was a key objective. GAO found that a shortage of funds has not been a problem, although most of the \$400 million has yet to be tied to specific projects. U.S. executive branch agencies have been engaging in an unprecedented dialogue with their Russian counterparts on how to handle the Soviet nuclear arsenal. They have negotiated several agreements to help protect Russian nuclear weapons in transit, assist Russia in responding to possible accidents involving these weapons, and provide containers for transporting and storing nuclear materials. These agreements are not,

however, directly linked to accelerating dismantling Russian nuclear weapons. Russian officials have sought U.S. help in building a large facility for storing highly enriched weapons-grade uranium and plutonium from dismantled weapons. GAO believes that the Russian request raises many questions about both the facility and its role in the ultimate disposal of these materials in a way that minimizes the risk that they could be reused for weapons.

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## Natural Resources

### **Hydroelectric Dams: Interior Favors Removing Elwha River Dams, But Who Should Pay Is Undecided**

GAO/RCED-92-168, June 5 (10 pages).

The Department of the Interior's position is that in order to restore fisheries in the Elwha River, two dams will have to be removed. As of May 1992, Interior has not worked out with the Federal Energy Regulatory Commission whether the dams should be removed and who should pay for the cost of removing them. Proposed legislation before Congress would involve federal acquisition of the two dams and subsequent comprehensive analysis of the most effective and reliable alternative for fully restoring, enhancing, and protecting the ecosystem, fisheries, and wildlife of the Elwha River basin. GAO believes that a better understanding of the estimated costs and potential liabilities would provide for more informed public policy decisions on whether and how best to restore the ecosystem and fisheries of the Elwha River and who should be responsible for paying the costs of restoration. GAO summarized this report in testimony before Congress; see:

Hydroelectric Dams: Proposed Legislation to Restore Elwha River Ecosystem and Fisheries, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before subcommittees of the House Committee on Merchant Marines and Fisheries. GAO/T-RCED-92-80, July 9 (10 pages).

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## Testimony

Indian Issues: GAO's Analysis of Land Ownership at 12 Reservations, by James Duffus III, Director of Natural Resources Management Issues, before the Senate Select Committee on Indian Affairs. GAO/T-RCED-92-75, July 2 (six pages).

This testimony summarizes a recent GAO report (GAO/RCED-92-06BR, Feb. 10) on land ownership at 12 Indian reservations. GAO discusses (1) the ownership of Indian land; (2) the Bureau of Indian Affairs' (BIA) work load in maintaining ownership records; and (3) the effect of the Indian Land Consolidation Act on multiple ownership of land tracts by small ownership interests, known as fractionation. GAO also discusses how it used BIA's computerized land records data base to develop the information found in GAO's report.

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## Science, Space, and Technology

### **NASA Procurement: Improving Oversight of Construction Projects at the Langley Research Center**

GAO/NSIAD-92-230, July 9 (eight pages).

GAO reviewed the construction contracting practices of NASA's Langley Research Center and EG&G Florida, Inc., which provides maintenance, construction, and construction inspection services. GAO identified several weaknesses in how the contractor's performance was being monitored, evaluated, and documented; the report notes that Langley is planning to implement procedures to correct these weaknesses. GAO recommends that, since all NASA field centers use the same contracting practices, NASA require other centers to review their procedures and, if necessary, take corrective action.

### **Space Station: NASA's Software Development Approach Increases Safety and Cost Risks**

GAO/IMTEC-92-39, June 19 (36 pages).

Although NASA plans to begin developing critical space station software soon, basic management controls that NASA and its contractors need to build and maintain high-quality software are not in place. As a result, safety and cost risks are increased. NASA has not implemented independent verification and validation of critical flight software and lacks a systematic approach to software risk management. In addition, NASA has been slow to implement standards, has cut funding for programwide support tools, and allows different software tool sets to be used in different locations. The agency has not, however, assessed the long-term cost impact of these actions. NASA still has time to assess these issues, but it is rapidly

approaching a juncture of critical milestones, after which its ability to influence software development practices will be severely restricted—and mistakes will be much more expensive to fix.

**Space Station:  
Improving NASA's Planning for External Maintenance**

GAO/NSIAD-92-271, July 20 (36 pages).

Over a four-year period beginning in 1996, NASA plans to build the Space Station Freedom in low earth orbit. External maintenance for the space station during assembly and for its anticipated 30-year life will depend on astronauts' performing space walks, called extravehicular maintenance activity. Harsh conditions in space mean that the amount of such activity will be restricted. GAO found that NASA's estimates of maintenance requirements are not very reliable, partly because the project is in its early development stages and methods for predicting failure rates and replacement times are limited. Further, extravehicular maintenance activity resources will not be enough to handle all the external maintenance needs expected to arise during the station's assembly period, and a large maintenance backlog may accumulate. NASA's analysis of the backlog's impact on the space station's performance is not yet complete. Extra maintenance missions could be added, but this would increase project costs and possibly delay the assembly and use of the space station. Program officials anticipate having better assembly and maintenance estimates on which to base their allocations of extravehicular activity resources by the time the program's critical design review is completed next summer.

**Space Station:  
Status of Financial Reserves**

GAO/NSIAD-92-279, July 20 (six pages).

By March 1992, NASA's financial reserves for developing and operating the redesigned Space Station Freedom had dropped to \$3.2 billion, or about 20 percent of the baseline program of \$16.6 billion. A month later, NASA committed more than \$1.1 billion in station reserves to fund additional program requirements, decreasing reserves to \$2.1 billion. All but \$166 million of this amount is now devoted to the last five years covered by the \$20 billion program estimate—fiscal years 1995 through 1999. Space station program officials are concerned about the limited reserves but

believe that with careful management and stringent cost controls they will be able to complete the program on time and within the current \$20-billion estimate. In GAO's view, space station program officials face an extremely difficult challenge, especially during the next couple of years. If the reserves prove inadequate, program officials will be forced to reduce content, delay schedules, or increase costs.

**NASA:**

**Changes to the Scope, Schedule, and Estimated Cost of the Earth Observing System**

GAO/NSIAD-92-223, July 22 (25 pages).

Primarily as a result of congressional direction, NASA restructured the earth observing system program and changed its content, schedule, and estimated cost for most of its activities through fiscal year 2000. The restructuring focused on climatic changes and deleted scientific objectives and instruments related to upper atmosphere studies and measurements of solid earth processes. This reduction in scope was accompanied by an increase in the number of smaller satellites to be launched on a schedule that delays the start of operations for most instruments in the restructured program by a little over two years. Overall, the changes reduced NASA's estimated funding needs by about \$5 billion through fiscal year 2000. GAO notes that these changes could potentially harm the restructured program's remaining scientific objectives.

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## Social Services

**Older Americans Act:  
More Federal Action Needed on Public/Private Elder Care Partnerships**

GAO/HRD-92-94, July 7 (17 pages).

A relatively new and unusual development—private corporations buying elder care services for their employees from public sector agencies—offers benefits but carries the risk of neglecting senior citizens with the greatest economic or social need. This report discusses (1) the status of state policies that permit elder care contracts between corporations and area agencies on aging and (2) whether such policies adequately ensure that their public missions will be preserved when area agencies on aging enter into corporate elder care contracts. GAO summarized this report in testimony before Congress; see:

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Public/Private Elder Care Partnerships: Balancing Benefit and Risk, by Jane L. Ross, Associate Director for Income Security Issues, before the Subcommittee on Human Services, House Select Committee on Aging. GAO/T-HRD-92-45, July 9 (14 pages).

**Food Assistance:  
Nutritional Conditions and Program Alternatives in Puerto Rico**

GAO/RCED-92-114, July 21 (51 pages).

Congress, concerned about the size and expense of Puerto Rico's Food Stamp Program, replaced it in fiscal year 1991 with an \$825-million annual food stamp assistance block grant, which Puerto Rico used to start up a cash food assistance program. Because that program's criteria are more restrictive, however, about 20 percent fewer people are receiving food assistance than would have under the Food Stamp Program, and those who do receive benefits are having to do with less. No islandwide nutrition studies have been done to assess the impact of the new program or the nutritional status of Puerto Ricans. Measures to increase program assistance levels and participation in Puerto Rico would entail higher program costs, necessitating additional funding. The specific nutritional impacts of these potential program alternatives could not be reliably estimated because many variables can affect an individual's overall nutritional status.

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**Testimony**

Elderly Americans: Nutrition Information Is Limited and Guidelines Are Lacking, by Robert L. York, Director of Program Evaluation in Human Services Areas, before the House Select Committee on Aging. GAO/T-PEMD-92-11, July 30 (10 pages).

Most agree that the elderly are at high risk for malnutrition. Yet the federal government's national nutrition surveys are limited in many ways. At a minimum, their scope must be widened to include more complete data on the elderly and their eating habits. Furthermore, no adequate guidelines exist describing the nutritional needs of the elderly. Available data on people over 50 suggest that the recommended dietary allowances for such individuals should not be based on age alone but rather on a combination of factors, including level of activity, presence of chronic disease, and general health status. Improved nutrition data and nutritional guidelines are needed before definite conclusions can be drawn about the actual nutritional status of the elderly.

## Tax Policy and Administration

### **International Taxation: Problems Persist in Determining Tax Effects of Intercompany Prices**

GAO/GGD-92-89, June 15 (120 pages).

During the 1980s, the amount of direct foreign investment in the United States rose dramatically—from \$83 billion to \$401 billion. The share of world manufacturing trade between related parties also increased significantly. Concerns have been raised in Congress about inappropriate transfer pricing practices. In 1986 foreign-controlled corporations—U.S. firms in which at least a certain percentage of voting stock is held by a foreign party—reported losses of about \$1.5 billion, despite posting more than \$540 billion in receipts that year. This report examines (1) whether foreign-controlled companies might have underpaid income taxes by improperly using transfer pricing; (2) what factors, if any, affected the Internal Revenue Service's ability to determine and recover any potentially underpaid taxes; and (3) what alternatives to dealing with transfer pricing existed.

### **Tax Administration: Approaches for Improving Independent Contractor Compliance**

GAO/GGD-92-108, July 23 (27 pages).

Derived from common law, the rules for classifying a worker as an employee or an independent contractor are unclear and subject to conflicting interpretations; businesses often have difficulty distinguishing between the two kinds of workers. Yet proper classification is important because the Internal Revenue Service (IRS) can levy large tax assessments against businesses that misclassify workers as independent contractors. In the 15 years since GAO first reported on this issue, no action has been taken to clarify the common law. While recognizing the existing ambiguity, IRS also feels compelled to enforce tax laws and rules. IRS audits from October 1987 through December 1991 reclassified 338,000 workers as employees, leading to \$468 million in assessments. GAO still believes that the classification rules must be clarified. Supporting legislation, however, would enable IRS to require businesses to (1) withhold taxes from payments to independent contractors and (2) improve business compliance with the requirement to file information returns on payments to independent contractors. These two approaches should help collect more of the taxes owed through means other than retroactive tax

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assessments. Although both approaches would mean a greater burden on independent contractors and the businesses that use them, GAO believes that both approaches have merit. GAO summarized this report in testimony before Congress; see:

Tax Administration: Improving Independent Contractor Compliance, by Natwar M. Gandhi, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means. GAO/T-GGD-92-63, July 23 (14 pages).

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## Testimony

Tax Administration: IRS' Progress on Integrity and Ethics Issues, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-92-62, July 22 (17 pages).

The Internal Revenue Service (IRS) appears to have made some headway in communicating to its employees the importance of ethical issues and in dispelling negative perceptions about its willingness to take appropriate disciplinary action, regardless of an employee's grade or position. Yet the agency is still unable to fully use its management information system to ensure that sanctions are adequately and appropriately applied. GAO interviewed IRS employees around the country and found that they were aware of and generally supportive of IRS efforts to strengthen ethics programs. GAO also discusses IRS' undercover operations and the need to strengthen the management and oversight of this sensitive law enforcement technique. GAO believes that IRS needs to make a continuing commitment to oversee undercover operations and ensure adherence to controls, a move that should reduce potential misuse of funds and operational breakdowns during future undercover operations.

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## Transportation

**Aviation Research:  
FAA Could Enhance Its Program to Meet Current and Future  
Challenges**

GAO/RCED-92-180, June 3 (18 pages).

The Federal Aviation Administration's (FAA) Research, Engineering, and Development Program plays an important role in ensuring the safety, security, and efficiency of the U.S. air transport system. The program's budget has grown over the past few years, from \$153 million in fiscal year

1988 to \$218 million in fiscal year 1992. Much of the funding increase has occurred in the areas of aircraft safety; security; and human factors, including the interface between controllers and air traffic control systems. This report examines (1) FAA's progress in responding to the Aviation Safety Research Act of 1988, which requires the agency to submit annual plans to Congress and to undertake research on a variety of air safety issues; (2) the long-term research that FAA undertook in fiscal year 1991; and (3) factors that will affect the program's success.

**Surface Transportation:  
Availability of Intercity Bus Service Continues to Decline**

GAO/RCED-92-126, June 22 (51 pages).

Except for regional companies, Greyhound remains the sole nationwide provider of regular bus service between cities, and it filed for bankruptcy protection in June 1990. The decline of the U.S. bus industry continued despite regulatory relief granted by Congress in the early 1980s. The Bus Regulatory Reform Act of 1982 did not, however, address the underlying causes for the industry's collapse: shrinking rural populations, intense competition from air and rail transportation, and growing car ownership. As a result, the industry continued to contract, serving fewer than 6,000 locations by 1991—nearly a 50-percent drop over nine years. The riders who have been losing service seem to be those least able to afford and least likely to have access to alternative modes of transportation. GAO found that 20 states have attempted to sustain regular intercity bus service, mainly by giving bus firms operating support for routes that might otherwise be abandoned and subsidies for new vehicles. By requiring states to use some federal funding for intercity bus transportation, the Intermodal Surface Transportation Efficiency Act of 1991 may make more money available for existing state programs. It may also spur other states to start programs to strengthen intercity bus service. Some states, however, could face problems in spending the funds because the Department of Transportation has not decided what activities will be eligible to receive funding and because of federal labor protection requirements.

## Veterans Affairs

### **VA Health Care: Alternative Health Insurance Reduces Demand for VA Care**

GAO/HRD-92-79, June 30 (17 pages).

Demand for inpatient services offered by the Department of Veterans Affairs (VA) could drop by about 18 percent if employers nationwide were required to either provide health insurance for their workers or pay a tax that would be used to obtain coverage. Similarly, demand for VA outpatient services could drop by about nine percent. Demand for VA-sponsored nursing home care, however, would be largely unaffected because most reform proposals provide limited long-term care coverage. Under a nationwide universal health plan, the impact could be even greater, with demand for VA inpatient care plummeting by about 47 percent. Likewise, use of VA outpatient care could drop by about 41 percent. The actual decrease, including the impact on nursing home usage, could vary significantly depending on the type of universal coverage program adopted. Although many veterans would continue to seek VA treatment, the magnitude of the likely decrease in demand for VA-sponsored health care—should either employer mandates or universal coverage be enacted—suggests that the VA health system should be included in any debate on American health care reform.

### **VA Life Insurance: Premiums and Program Reserves Need More Timely Adjustments**

GAO/HRD-92-71, July 20 (37 pages).

The Servicemen's Group Life Insurance Program (SGLI) is the largest of eight insurance programs run by the Department of Veterans Affairs (VA); SGLI is administered by Prudential Insurance Company of America, under contract with the VA. SGLI's operating reserves totaled \$165 million as of June 1991, and, according to GAO, needed to be increased by about \$85 million as a result of recent legislation that doubled maximum coverage from \$50,000 to \$100,000 for each insured. At the same time, GAO believed that the program's \$76 million in contingency reserves were about \$51 million more than needed. GAO also thought that reserves in the \$191-million revolving fund were too high. GAO found that military personnel covered by SGLI were overcharged premiums throughout the 1980s, and adjustments are needed. GAO made recommendations to the Secretary of Veterans Affairs to achieve the adjustments GAO feels would

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improve the financial position of the SGLI. The Secretary did not concur with GAO's recommendations.

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Testimony

VA Health Care for Women: Despite Progress, Improvements Needed, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Senate Committee on Veterans' Affairs. GAO/T-HRD-92-33, July 2 (14 pages).

The Department of Veterans Affairs (VA) has made significant progress during the past decade toward ensuring that veterans of both sexes have equal access to health care. Three problems remain, however. First, physical examinations, including cancer screenings for women veterans, continue to be sporadic. Second, VA medical centers are not adequately monitoring the quality of their in-house mammography programs. Third, inadequate accommodations for female patients—such as a lack of private rooms or toilets—may go unnoticed during VA medical center renovations due to inadequate procedures. GAO recommends that VA medical centers correct problems in providing complete physical examinations by disseminating information on successful practices and implementing them systemwide. VA agrees with GAO's findings and has taken steps to improve services for women veterans.

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