



Reports and Testimony: August 1992

Highlights

Army Audit

The Army's accounting systems cannot provide the data needed to prepare accurate and reliable financial reports, and serious flaws in internal controls put billions of dollars in assets at risk to waste, loss, or theft. Page 15.

Federal Research

The current system for federal funding of university research has resulted in millions of dollars in unallowable, questionable, and improper overhead expenses being billed to the government—a clear signal that fundamental changes are needed in how universities are reimbursed for "indirect" costs. Page 16.

Prescription Drugs

Over the past six years, consumer prices for 19 of 29 widely used prescription drugs increased by more than 100 percent—with some surpassing 300 percent—compared with a 26.2-percent rise in inflation for the same period. Page 23.

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Agriculture and Food

Data Collection: Opportunities to Improve USDA's Farm Costs and Returns Survey

GAO/RCED-92-175, July 30 (44 pages).

The Farm Costs and Returns Survey is the U.S. Department of Agriculture's (USDA) main source of detailed information on farmers' incomes and expenses. Reliable survey results grounded in proper measurement of farm conditions and sound methodology are essential in gauging the health of the farm sector and in setting government price supports. In addition, the data should be easily accessible to groups such as land grant universities if they are to do the most good. This report reviews (1) the survey's scope and design as they affect the quality and reliability of the data generated, (2) USDA's procedures for granting access to unpublished data, and (3) the agency's communication with users of the survey data.

Food Safety and Quality: FDA Strategy Needed to Address Animal Drug Residues in Milk

GAO/RCED-92-209, Aug. 5 (64 pages).

The Food and Drug Administration (FDA) lacks a comprehensive strategy for monitoring animal drug residues in milk and cannot guarantee that illegal and possibly unsafe contaminants are not getting into milk or the rest of the food supply. A multitude of drugs are being used to treat dairy cows, but few are tested for in milk. States routinely test for only four drugs, while up to 82 drugs that leave residues in milk may be in use. FDA estimated in 1991 that as much as one percent of all milk had to be discarded because of excess residues from these four drugs. It is unclear how much other milk reached the market contaminated by drugs that are not tested for. More than half the drugs that are possibly being used on dairy cows are unapproved for such use, and some are not approved for any food-producing animal. The use of an animal drug on a dairy cow for reasons not specified on an FDA-approved label is known as "extra-label use." FDA expected that extra-label drug use by veterinarians would be rare and would be confined mainly to emergencies. GAO has discovered that such use is, in fact, routine. Extra-label use can lead to potentially unsafe residues in milk that escape detection, a prospect made even more unsettling by the fact that dairy farmers can buy most animal drugs over the counter. FDA has yet to identify additional drugs for testing or

recommend more test methods for the states and industry to use. GAO summarized this report in testimony before Congress; see:

Food Safety and Quality: FDA Strategy Needed to Address Animal Drug Residues in Milk, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-RCED-92-89, Aug. 5 (eight pages).

**Recombinant Bovine Growth Hormone:
FDA Approval Should Be Withheld Until the Mastitis Issue Is Resolved**

GAO/PEMD-92-26, Aug. 6 (64 pages).

Although the Food and Drug Administration (FDA) has followed critical review guidelines for animal safety and drug efficacy in approving the use of recombinant bovine growth hormone to boost milk production, FDA has skirted the issue of whether the animal drug might pose indirect health risks for people. Such risks are not covered by FDA guidelines and have not been addressed in the case of recombinant bovine growth hormone. The increased milk production triggered by the hormone has led to an outbreak of mastitis among cows, and increased residues of the antibiotics used to treat this condition could be showing up in milk and beef. Also, food products from cows treated with the hormone have been commercially processed and sold to consumers without any warning labels. FDA does not require the labeling of food products derived from animals involved in drug treatment trials.

Testimony

Farmers Home Administration: Resolution of Loan Appeals, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture Credit, Nutrition, and Forestry. GAO/T-RCED-92-91, Aug. 10 (13 pages).

GAO testified on the final resolution of farm loan decisions that were remanded to Farmers Home Administration (FmHA) officials for reconsideration and on S. 3119—the proposed USDA National Appeals Divisions Act of 1992—which would consolidate the Agriculture Department's appeals process under a newly created organization more independent of the programming agencies. GAO discusses (1) the extent to which appellants ultimately received their requested loan making or

servicing action on cases appealed to and remanded to FmHA's lending officials for reconsideration and (2) the timeliness of FmHA's actions to implement remanded appeals cases that were reconsidered in favor of the appellant.

Budget and Spending

Impoundments: Comments on Proposed Deferrals of Forest Service and Foreign Military Assistance Funds

GAO/OGC-92-14, Aug. 14 (three pages).

On June 25, 1992, the President submitted to Congress his 103rd special impoundment message for fiscal year 1992, which revises the amounts of two previously reported deferrals involving funds for foreign military assistance and the Forest Service. GAO reviewed these deferrals and found them to be in accordance with the Impoundment Control Act.

Impoundments: Funds for the V-22 Osprey Aircraft Have Been Released As Required

GAO/OGC-92-15, Aug. 19 (one page).

This letter reports on the status of funds earmarked for the V-22 Osprey Program that GAO noted earlier as an unreported impoundment by the President. The funds for the V-22 Osprey Aircraft have been released as required.

Business, Industry, and Consumers

Small Business: Efforts to Provide Federal Procurement Dollars to Women-Owned Businesses

GAO/RCED-92-185, July 28 (22 pages).

The Small Business Administration (SBA) serves as the government's advocate for promoting and developing women-owned small business. SBA works with executive branch agencies to set fiscal year contracting goals for women-owned businesses and report on procurement assistance provided to them. This report looks at (1) how federal agencies' contracting goals are established for women-owned business and whether

these goals have been achieved lately and (2) the procedures agencies use to certify that such businesses are, in fact, owned by women. GAO also discusses how the Department of Transportation has tried to address the problem of women-owned and other small businesses' having to be certified as "disadvantaged business enterprises" each time they bid on a contract from a different state or local agency.

**The U.S. Export-Import Bank:
The Bank Provides Direct and Indirect Assistance to Small
Businesses**

GAO/GGD-92-105, Aug. 21 (17 pages).

The Export-Import Bank offers export financing to encourage small business participation in international commerce. Eximbank has been required since 1986 to set aside 10 percent of its aggregate loan, guarantee, and insurance budget authority to finance small businesses. Eximbank would have fallen short of this goal for fiscal years 1986 and 1987 had indirect financing and insurance estimates been excluded. The law provides no clear guidance as to whether indirect financing may be properly included in calculating the set-aside, but Congress strongly supports including only direct financing in calculating it. GAO has found some problems with Eximbank's small business data that can affect the reliability of the compliance assessment. Eximbank is trying to increase its aid to small businesses. It is too soon, however, to assess the results of these efforts. According to Eximbank's small business task force study, Eximbank should take further steps to evaluate the effectiveness of its efforts to help small businesses.

**Economic
Development**

**Community Development:
Neighborhood Reinvestment Corporation Should Improve Program
Management**

GAO/RCED-92-174, July 8 (43 pages).

Congress created the Neighborhood Reinvestment Corporation in 1978 to encourage reinvestment in older neighborhoods by financial institutions working in tandem with local government and residents. The Corporation provides these partnerships, known as NeighborWorks Organizations, with about \$6 million in grants each year. The Corporation's oversight of the organizations, however, has fallen short as a result of inadequate program

reviews and financial audits. Grant management, which should alert the Corporation to potential problems at the organizations before they become critical, has suffered because of this poor oversight. Unapproved transfers of grant funds to pay for organizations' operating expenses often went undetected. The Corporation is relying increasingly on competition in awarding contracts for professional services and is making policy changes to increase competition in its procurements. It is not yet clear, however, how effective these policy changes will be. Lowering the dollar threshold above which competitive bidding is required would guarantee more competition.

**Rural Development Administration:
Patterns of Use in the Business and Industry Loan Guarantee
Program**

GAO/RCED-92-197, July 29 (34 pages).

Congress, concerned about the economic gap between rural and urban America and the steady migration to the cities, established a program to boost the rural economy by creating jobs, attracting businesses, and providing better services. The result was the Business and Industry Loan Guarantee Program, run by the Farmers Home Administration, which guarantees loans by private lenders to businesses in small towns; priority is given to firms in communities with fewer than 25,000 people. This report examines (1) the extent to which states and territories are taking advantage of the program and why some are not using it, (2) the kinds of industries that have received loan guarantees, and (3) the program's impact on rural development.

**Earthquake Recovery:
Staffing and Other Improvements Made Following Loma Prieta
Earthquake**

GAO/RCED-92-141, July 30 (36 pages).

The Loma Prieta earthquake, which struck northern California in October 1989, was the most destructive earthquake that the Federal Emergency Management Agency (FEMA) has had to deal with since the agency's creation a decade ago. FEMA has provided more than \$350 million in federal assistance to repair damaged buildings and plans to obligate another \$164 million, but many requests for disaster assistance remain unfulfilled. FEMA and local authorities have gotten into disputes over funding, primarily over

grant eligibility and amounts. This report assesses (1) FEMA's guidance for determining funding eligibility for rebuilding public and nonprofit structures and (2) the agency's strategy for staffing an earthquake recovery effort.

Employment

Employee Benefits: Financing Health Benefits of Retired Coal Miners

GAO/HRD-92-130FS, July 22 (80 pages).

Employee Benefits: Financing Health Benefits of Coal Industry Retirees

GAO/HRD-92-137FS, July 22 (53 pages).

These two fact sheets provide information on proposed legislation concerning financing health benefits for retirees in the coal industry, an issue that has sparked considerable interest because of shortfalls in the two trusts that are providing benefits. GAO responds to questions about the characteristics of the trusts' beneficiaries, the benefits provided, and the present and projected financial condition of the trusts. The first fact sheet focuses solely on benefits accruing to retired coal miners, while the second examines benefits accruing for coal industry retirees in general, including miners and white-collar workers.

Occupational Safety and Health: Improvements Needed in OSHA's Monitoring of Federal Agencies' Programs

GAO/HRD-92-97, Aug. 28 (24 pages).

The Occupational Safety and Health Administration (OSHA) knows little about federal agencies' safety and health programs and their effectiveness in protecting workers from occupational injuries and illnesses. In monitoring the programs, OSHA relies on inspections at specific workplaces, rather than using an approach—as envisioned by its regulations—combining program evaluations, report reviews, and on-site inspections. Although GAO cannot conclude that OSHA's approach means better or worse protection for federal workers, OSHA can improve its monitoring of agency safety and health programs. The information OSHA already receives in agencies' annual reports can help it evaluate program

implementation. Also, if OSHA checks for compliance with the program requirements during its inspections as planned and uses inspection results to identify systemic problems, it can better spot the causes of workplace hazards.

Energy

Nuclear Security: Weak Internal Controls Hamper Oversight of DOE's Security Program

GAO/RCED-92-146, June 29 (16 pages).

The Department of Energy (DOE), overseer of the nation's nuclear weapons program, runs a broad range of plants and laboratories to carry out research, development, and production. Given the potentially devastating consequence of radiological sabotage or terrorism, tight security is a must at these facilities. Accordingly, DOE spends nearly \$1 billion annually to protect them. GAO reviewed DOE's practice of granting exceptions to the agency's safeguards and security orders. Approved exceptions have ranged from exceptions to administration requirements, involving, for example, the labeling or marking of classified documents, to more substantive exceptions involving the inventory or storage of special nuclear materials. This report (1) cites the number of exceptions that have been approved, (2) determines whether DOE's written policies and procedures for reviewing and approving exceptions have been followed, and (3) describes the kind of internal control system used for monitoring and following up on individual exceptions.

Nuclear Waste: Improvements Needed in Monitoring Contaminants in Hanford Soils

GAO/RCED-92-149, July 6 (17 pages).

Since so much of the radioactive and hazardous waste stored at the Department of Energy's (DOE) Hanford site either has been buried or has leaked from underground storage tanks, monitoring is vital to detect whether contaminants are seeping toward groundwater. GAO has discovered, however, that programs to spot contamination in the vadose zone—the unsaturated soil layer above the groundwater level—have received scant funding, are operating with out-of-date and uncalibrated equipment, and are not comprehensive enough to assess the migration of

contaminants. The several different programs and organizations now spending vadose zone funds are often unaware of each other's activities and tend not to share data, personnel, or knowledge. Further, DOE has no plan for improving its vadose zone activities. Vadose zone technology could help DOE save money by reducing the need for doing laboratory analyses and drilling wells.

**Nuclear Science:
Monitoring Improved, but More Planning Needed for DOE Test and Research Reactors**

GAO/RCED-92-123, July 15 (32 pages).

As its stock of nondefense nuclear reactors dwindles due to lower demand and higher operating costs, the Department of Energy (DOE) must decide which reactors to shut down and which to maintain or replace. In DOE's view, the small number of remaining reactors and their specialized functions makes unnecessary formal long-range planning that would compare the capabilities, ages, and conditions of the reactors. Yet GAO believes that, given the ages of the test and research reactors and the deterioration taking place, it is not premature to plan for the timely retirement or replacement of these reactors. The absence of such planning could lead to safety problems, diminished reactor performance, increased costs to maintain existing safety levels, and gaps in service to experimenters using the equipment. Safety, or at least the identification of safety problems, has improved at DOE's nondefense test and research facilities. DOE now has an inventory of identified problems at these facilities that will take years to correct. Ensuring safer operations, however, demands continued identification and correction of problems.

**Energy Management:
Entertainment Costs Under DOE's Uranium Enrichment Production Contract**

GAO/RCED-92-230FS, July 30 (17 pages).

As part of a contract to produce enriched uranium at government-owned facilities in Paducah, Kentucky, and Portsmouth, Ohio, Martin Marietta Energy Systems was allowed to bill the government for more than half a million dollars in entertainment and liquor costs. The final tab included golf outings, musical performances, receptions, tours, and a charter boat ride. These parties were thrown for utility executives who are either

current or potential customers for the government's enriched uranium. GAO questions the legality of spending federal dollars on alcohol and the presence of bureaucrats and contractor employees at such social gatherings. GAO is waiting to hear from the Department of Energy's Office of General Counsel as to why these costs were allowed.

**Nuclear Waste:
New York's Adherence to Site Selection Procedures Is Unclear**

GAO/RCED-92-172, Aug. 11 (24 pages).

A New York commission charged with choosing a site for a low-level radioactive waste facility announced in September 1989 that it planned limited investigations at five potential sites. Four of the sites were chosen as a result of a statewide screening process, while the fifth site had been offered to the commission by an owner. The counties where the sites are located have raised objections to the site selection process. GAO concludes that the commission's consideration of the offered site was inconsistent with some of its procedures and may not have followed others.

**DOE Management:
Impediments to Environmental Restoration Management Contracting**

GAO/RCED-92-244, Aug. 14 (14 pages).

The Department of Energy's (DOE) proposed new contracting approach for cleaning up contaminated nuclear weapons sites would rely on environmental restoration management contractors, who would assume sole responsibility for handling the cleanup effort. Although DOE has set several important goals for this contracting effort, constraints such as the lack of qualified cleanup personnel would make it hard to achieve them. GAO believes that evaluation should be a major component in the implementation of the five-year pilot tests at DOE sites in Fernald, Ohio, and Hanford, Washington. DOE has not, however, established final criteria for measuring the concept's success, identified the information needed to evaluate the concept, or established a timetable for conducting the evaluation. In addition, DOE has not yet hired all the staff needed to oversee the pilot tests or developed plans to train current staff in their new oversight duties.

Testimony

Nuclear Science: Status of DOE's Self-Supporting Isotope Program, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-92-88, Aug. 12 (nine pages).

Isotopes have important applications in medicine, industry, and scientific research. Although the Department of Energy's (DOE) program to produce and distribute isotopes is relatively small, it is an important domestic source of this material. GAO testified that DOE faces significant obstacles in trying to run the program on a self-supporting basis. Because DOE has been unable to recoup program costs through isotope sales, its original \$16-million operating fund has been depleted and the agency is borrowing money to keep the program solvent. High, uncontrollable operating costs; lack of capital funding; and foreign competition—much of it subsidized—have been the main barriers to the program's self-sufficiency. DOE has hired a consulting firm to help redesign the program. DOE and the firm will then seek ways to finance DOE's newly defined role in the isotope field. But continued government funding is likely to be needed to keep the program afloat. GAO testified that had DOE completed such a study before reorganizing its isotope program in 1989, many of these problems could have been avoided.

Environmental Protection

Drinking Water: Widening Gap Between Needs and Available Resources Threatens Vital EPA Program

GAO/RCED-92-184, July 6 (17 pages).

With the nation's safe drinking water program imperiled by funding shortages at the federal, state, and local levels, Congress should consider increasing the Environmental Protection Agency's (EPA) proposed 1993 budget to provide the minimum funding needed to maintain the program's integrity. GAO reported in 1990 that many water systems—particularly smaller ones—had failed to adequately monitor water quality or meet drinking water standards. Further, enforcement efforts by the states and EPA deterred few violators. Although EPA has tried since then to overcome these problems, largely by boosting enforcement efforts, the agency has been hampered by budgetary constraints. For some time now, EPA has responded to continuing budget shortfalls by targeting its limited funds to programs associated with the greatest environmental and health risks. Although stewardship of the nation's drinking water supplies fits this

category, funding for EPA's drinking water program has been inadequate for years and the program is now approaching a state of profound neglect.

**International Environment:
Strengthening the Implementation of Environmental Agreements**

GAO/RCED-92-188, Aug. 24 (17 pages).

During the last 20 years, more and more nations have signed international agreements on a host of global environmental issues, ranging from stratospheric ozone depletion to the threatened extinction of plants and animals. Although these agreements in themselves are noteworthy, they are not always well-monitored, and many countries—particularly those in the Third World—lack the ability to comply. GAO and the Congressional Research Service recently held a symposium on how to strengthen international environmental agreements. Panelists included officials from the Environmental Protection Agency, the Department of State, the World Bank, and the United Nations Environment Program. Reflecting the results of the symposium, as well as other GAO work, this report (1) describes the extent to which information on the implementation of international environmental agreements is available, (2) examines the roles this information can play, (3) considers how incentives can help countries implement these agreements, and (4) suggests how Congress can strengthen these agreements.

Testimony

Water Pollution: Alternative Strategies Needed to Reduce Wastewater Treatment Costs, 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-92-84, Aug. 4 (14 pages).

State revolving funds—an efficient alternative to the Construction Grants Program, which for years provided money directly to local governments to build wastewater treatment facilities—will be unable to handle the nation's wastewater treatment needs and may fall far short of meeting small communities' needs. Less costly alternatives are needed to help narrow this billion dollar gap between wastewater treatment plant needs and available resources. Although several alternative and innovative technologies and management approaches have been tried with some success, they have thus far been used sparingly. GAO's work so far suggests that a number of barriers may be impeding the use of promising

alternatives, including insufficient information on alternatives, institutional biases toward conventional treatment technologies, and private-sector financial disincentives for using these alternatives.

Financial Institutions

Thrift Resolutions: FSLIC 1988 and 1989 Assistance Agreements Costs Subject to Continuing Uncertainties

GAO/AFMD-92-78, Aug. 3 (14 pages).

This report examines the costs of the 1988 and 1989 assistance agreements entered into by the Federal Savings and Loan Insurance Corporation. These agreements, now managed by the Resolution Trust Corporation (RTC) and accounted for by the Federal Deposit Insurance Corporation (FDIC), provide financial help to savings and loans that have acquired the assets of insolvent institutions. In this final of three annual reports required by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, GAO assesses the reliability of FDIC's December 1991 estimate of total assistance agreement payments and the status of RTC's cost-saving actions completed as of March 1992.

Resolution Trust Corporation: Disposal of Furniture, Fixtures, and Equipment Needs Improvement

GAO/GGD-92-112, Aug. 13 (12 pages).

The Resolution Trust Corporation (RTC) has developed policies and procedures for managing and disposing of furniture, fixtures, and equipment from failed savings and loans. Although these are typically low-value items—office supplies, desks, rugs, plants, and the like—they have at times included unusual assets ranging from magic memorabilia to race horses. RTC's controls over these assets do not ensure, however, that the government is getting the highest possible price when they are sold. Problems exist because (1) marketing plans do not always encourage using the most effective way to dispose of these items and (2) RTC has not defined the dollar value of nominal assets; consequently, these low-value items may be handled inefficiently. Marketing of furniture, fixtures, and equipment is also hampered because inventories and appraisals are not always done promptly. Although RTC has abandoned its national inventory system for these items, it still needs to develop accurate inventories at

each thrift to help local officials quickly establish control over these assets and dispose of them faster.

Testimony

Resolution Trust Corporation: Western Storm Investigation and Related Contracting Deficiencies, by Gaston L. Gianni, Jr., Associate Director for Federal Management Issues, before the Subcommittee on General Oversight and Investigation, House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-92-67, Aug. 6 (30 pages).

The Resolution Trust Corporation (RTC) is required to work with the private sector in disposing of the assets of failed savings and loans. GAO testified, however, that RTC had undervalued contracting in acquiring needed services. This mindset contributed to problems with the Western Storm Project, in which RTC paid about \$24 million for an improperly issued sole-source contract to reconcile the assets of 92 failed thrifts in western states to financial records. In addition, a contractor representative spent three days in preaward discussions with RTC officials on the upcoming project's scope and duration. Senior RTC officials knew of these irregularities but did nothing. RTC needs to take strong action to ensure that its employees are complying with policies and that contractors are providing the best possible services. Unfortunately, RTC efforts to strengthen internal control over contracts have not kept pace with RTC's burgeoning responsibilities. If RTC is to assure Congress and the taxpayers that it is minimizing the cost of the savings and loan bailout, it should act promptly to install appropriate controls over its contracting program.

Bank and Thrift Failures: RTC Needs to Improve Planning for Professional Liability Staff Changes, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-GGD-92-69, Aug. 11 (12 pages).

Staffing problems have thrown into turmoil the Resolution Trust Corporation's (RTC) program to pursue professional liability claims arising from bank and thrift failures. Since March 1992, five of seven senior managers in the program have left or been reassigned, as have about 40 percent of all professional liability attorneys on board at the end of February 1992. These staffing shortages are coming at a time when the program's work load is expanding and statutes of limitations are running out. If these deadlines are unmet, then cases will be lost and the assets of the directors, officers, and other professionals who caused financial institutions to collapse will go unrecovered. Recent RTC downsizing

policies have been ill defined, and staffing transitions have been anything but orderly: pivotal attorneys were removed from assignments at a time when the work demanded regular and systematic attention. Although changes among professional liability staff are inevitable as RTC is dissolved and work is transferred to the Federal Deposit Insurance Corporation, RTC needs to do a much better job of planning for these changes and ensuring smooth transitions.

Financial Management

Financial Audit: Examination of the Army's Financial Statements for Fiscal Year 1991

GAO/AFMD-92-83, Aug. 7 (35 pages).

In its first audit of the Army's financial operations, GAO could not express an overall opinion for two reasons. First, material uncertainties exist about the reasonableness of amounts reported for most Army assets. Second, accounting system inadequacies and the failure to adhere to Defense Department and Army policies made an audit of the consolidated reports of operations, cash flows, and reconciliation impractical. Problems like the lack of an integrated general ledger system and weak internal controls prevented GAO from assessing the reliability of these reports. In addition to limiting the Army's ability to prepare reliable financial statements and other reports, the weak internal controls cannot be relied upon to safeguard the Army's assets or ensure material compliance with budget authority, laws, and regulations. Although it has not found instances of noncompliance with laws and regulations, GAO continues to examine the legal implications of (1) the Corps of Engineers not recording obligations for its Civil Works Revolving Fund equipment contracts and (2) a potential violation of the Anti-Deficiency Act at the Aviation Systems Command.

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls

GAO/AFMD-92-82, Aug. 7 (115 pages).

Serious and widespread weaknesses in financial systems that oversee \$346 billion in assets have left the Army vulnerable to waste, inefficiencies, and losses. The Army has been trying to improve its accounting systems for

nearly a decade but is still not generating reliable financial data. Inadequate controls over inventories, supplies, and spare parts have led to billions of dollars in ammunition and equipment going unrecorded on the Army's books. At the same time, obvious errors in inventory reports and records, such as negative balances, have gone uninvestigated, and large amounts of inventory stored at depots awaiting repair have not always been effectively protected against theft or weather damage. Despite assurances by the Secretary of the Army that assets are being adequately safeguarded, GAO doubts whether the Army has effective control over and accountability for many of these items. GAO's findings are not unexpected for a first-time audit. Unlike the private sector, the government has only recently required its own agencies to produce auditable financial statements. As agencies cope with weaknesses revealed by mandated audits, overall improvement in financial management as well as savings and benefits from lower costs and efficiency improvements can be expected. Defense Department initiatives are addressing many of the problems GAO identified. The Comptroller General summarized this report and GAO/AFMD-92-83 in testimony before Congress; see:

Financial Audit: Immediate Actions Needed to Improve Army Financial Operations and Controls, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-92-14, Aug. 7 (21 pages).

**Federal Research:
System for Reimbursing Universities' Indirect Costs Should Be Reevaluated**

GAO/RCED-92-203, Aug. 26 (47 pages).

For every dollar spent on federally funded university research, the government pays another 50 cents for overhead, or indirect costs. Because of inadequate federal guidance and oversight and weak internal controls at the universities, the government has been charged millions of dollars for unallowable and questionable overhead costs, including entertainment, foreign travel, and utility bills. Although the universities and government have sought to address problems with overhead billing, their actions could escalate indirect costs even further. For example, the universities will likely try to bill the government for any costs associated with (1) improving their accounting systems and internal controls and (2) responding to new government requirements. In GAO's view, the depth and persistence of the problems and the upward trend in indirect charges

over the years make this an opportune time to consider basic changes to the reimbursement system. This report discusses advantages and disadvantages of several alternative approaches to restructuring the reimbursement system. GAO believes that regardless of any long-term solution chosen, it is inefficient to have both the Department of Health and Human Services (HHS) and the Defense Department (DOD) running the program, particularly when they are using fundamentally different approaches. HHS negotiates indirect cost rates that limit the federal reimbursement, resulting in an average indirect cost rate of about 50 percent, whereas DOD provides for full recovery of the universities' claimed allowable indirect costs, resulting in a cost rate of 59 percent.

**Financial Management:
Federal Entities With Treasury and Federal Financing Bank
Borrowing Authority**

GAO/AFMD-92-66FS, July 22 (96 pages).

Has the growth in borrowing from the Department of the Treasury and the Federal Financing Bank by government corporations and other federal entities put the government at risk for significant losses? This fact sheet looks at 66 government corporations, government-sponsored enterprises, and federal programs and funds that now have borrowing authority or have borrowed funds within the past five years. As of September 1990, these entities had borrowed nearly \$350 billion. For each entity, GAO provides data on (1) the statute authorizing the borrowing, (2) borrowing limitations or other conditions imposed by the law, (3) outstanding borrowing authority at the end of each fiscal year from 1987 to 1991, and (4) other financing sources available to each entity.

**Financial Audit:
Civic Achievement Award Program Financial Statements for
September 30, 1990 and 1989**

GAO/AFMD-92-59, Aug. 6 (13 pages).

The Civic Achievement Award Program, which is run by the Close Up Foundation and funded through the Library of Congress, promotes civics literacy—everything from U.S. history and government to current events—among students in the fifth through eighth grades. GAO audited the program's financial statements for fiscal years 1990 and 1989 and, consistent with the opinion of the certified public accounting firm of

KPMG Peat Marwick, found them to present fairly, in all material respects, the program's financial position and the results of its operations. GAO notes that the program generated private sector support beginning in 1990. At the request of the Close Up Foundation, Congress effectively repealed the program's authorizing legislation, thereby transferring responsibility for the program's support to the private sector. As a result, GAO is no longer required to audit this program.

**Financial Audit:
Panama Canal Commission's 1991 and 1990 Financial Statements**

GAO/AFMD-92-69, Aug. 18 (28 pages).

Each year, GAO is required to audit the Panama Canal Commission, a federal agency that will run the canal until Panama takes it over at the turn of the century. In GAO's opinion, the Commission's financial statements present fairly its financial position for fiscal years 1991 and 1990 and the results of its operations, changes in the investment of the U.S. government, and cash flows for those years. GAO also believes that internal controls are providing reasonable assurances that losses, noncompliance, or misstatements affecting the financial statements would be prevented or detected. GAO identifies several matters involving data processing and other operations that need improvement.

**Financial Management:
Customs Needs to Establish Adequate Accountability and Control Over Its Resources**

GAO/AFMD-92-30, Aug. 25 (72 pages).

The U.S. Customs Services, taking in more than \$19 million in import duties, excise taxes, and the like in fiscal year 1990, is second only to the Internal Revenue Service in the amount of government revenue collected. Customs has yet to accurately account for its resources, however. Its automated and manual accounts receivable systems contain incomplete and inaccurate information. Customs also faces ongoing problems in accounting for and controlling its property. Furthermore, weak controls for identifying and collecting fees owed for debt collection may have allowed millions of dollars to go uncollected. Customs has established a chief financial officer position to handle its financial management problems. Efforts are also under way to develop a single fully integrated financial management system, but major financial management problems

remain. The Chief Financial Officers Act of 1990 provides a framework for correcting many of the shortcomings at Customs. Top management's continued involvement and commitment are essential to achieving an effective financial management environment and successfully implementing the legislation.

**Financial Management:
Internal Control Weaknesses Impede Air Force's Budgeting for
Repairable Items**

GAO/AFMD-92-47, Aug. 26 (65 pages).

GAO reviewed how the Air Force accounts for repairable items, including spare parts for landing gears, engines, and radar sets. These items constitute about \$31 billion—more than 75 percent—of all Air Force inventory. The Air Force's key financial management systems do not generate reliable inventory balances needed to make sound budget estimates and purchase decisions for repairable items. Managers have no explanation for \$182 million in differences between automated and manual records for 82 of 104 items examined. The Air Force lacks an overall strategy to minimize inconsistencies between the manual and automated inventory balances. Planned system enhancements will not provide managers the data needed to resolve differences between two sets of records. The continued use of inaccurate inventory data could jeopardize two new financial improvement measures undertaken by the Pentagon—the Air Force stock fund and the Defense Business Operations Fund. In addition, the Air Force's annual reports to the Defense Department have not disclosed problems in budgeting for repairables so that the problems can receive top management attention.

**Financial Management:
Army Conventional Ammunition Production Not Effectively
Accounted for or Controlled**

GAO/AFMD-92-57, Aug. 31 (32 pages).

The Army's Ammunition Command, which is responsible for providing the U.S. military with conventional ammunition, cannot accurately account for and properly control an estimated \$3.7 billion in conventional ammunition and component parts for fiscal year 1991. It cannot track the flow of material between government plants, does not control government-furnished material sent to contractors, and lacks systems and

data necessary to reconcile differences in inventory between its logistics records and plant records. Further, the Ammunition Command does not have comprehensive cost data. Without such essential controls and complete cost reporting, the Army has no assurance that loss or theft will be detected and cannot identify changing cost trends in time to take prompt corrective action.

Testimony

Financial Management: Status of BIA's Efforts to Resolve Long-Standing Trust Fund Management Problems, by Jeffrey C. Steinhoff, Director of Civil Audits, before the Senate Select Committee on Indian Affairs. GAO/T-AFMD-92-16, Aug. 12 (16 pages).

This testimony focuses on management of the Indian Trust Funds by the Bureau of Indian Affairs (BIA). GAO discusses (1) some of the long-standing weaknesses that have plagued BIA's management of the trust funds; (2) the status of BIA efforts to reconcile the trust fund accounts, including the problems that have been identified and alternatives; and (3) the status of BIA efforts to develop a comprehensive strategic plan for trust fund financial management improvement, which include implementing the Chief Financial Officers Act of 1990.

Government Operations

Artifacts Acquisition: Smithsonian Institution and Library of Congress Should Not Compete

GAO/GGD-92-104, July 6 (28 pages).

The Smithsonian Institution and the Library of Congress have competed for historic artifacts at least four times during the past five years, with one agency prevailing in each instance. The items at stake included manuscripts from Duke Ellington and other jazz artists as well as 19th century architectural renderings by James Renwick. In three of the four cases, one agency was willing to pay more than the amount being negotiated for an artifact—essentially “outbidding” its competitor. In the fourth instance, one agency unsuccessfully tried to raise money to match the amount offered by its competitor. Neither agency has formal policies to guard against interagency competition. The two agencies were in contact with one another concerning all four acquisitions, but only after negotiating independently with the sellers. The Library of Congress tried without success to reach a formal agreement with the Smithsonian on

collecting roles. To prevent future competition, the two agencies need to adopt policies against such practices and to clarify collecting roles, particularly in the area of music where substantial overlap exists.

**Whistleblower Protection:
Survey of Federal Employees on Misconduct and Protection From
Reprisal**

GAO/GGD-92-120FS, July 14 (17 pages).

This fact sheet examines how the federal government processes complaints by whistleblowers about reprisals. It also examines how effective the Office of the Special Counsel has been in shielding whistleblowers from reprisals. In surveying a random sample of federal workers across government, GAO found that although most federal workers would be willing to report misconduct, a sizable number said that they were either undecided about reporting or unwilling to report misconduct if they became aware of it. Fear of reprisal for reporting misconduct continues to be a concern for many federal employees. Furthermore, many employees do not know whether their agencies would support whistleblowers and most have minimal knowledge about their right to protection from reprisal.

**Postal Service:
Decisions to Purchase Two Properties in Queens, New York**

GAO/GGD-92-107BR, July 17 (24 pages).

The U.S. Postal Service (USPS) has spent nearly \$80 million to buy two properties in Queens, New York, for mail facilities. One site, an old metals refinery, has never been used because of hazardous waste and asbestos contamination. If the former owners are unable or unwilling to clean up the property, USPS may have to pick up the tab to make the site usable. Construction costs at the other site, a former AT&T manufacturing facility, have soared. The \$65 million paid for the AT&T site was 44 percent more than the appraised market value of the property. The cost of acquiring and renovating this property, once pegged at \$116 million, has now risen to more than \$128 million, and another funding request for building improvements is pending.

**Postal Procurement:
Ethics Violations Did Not Invalidate an Automation Contract**

GAO/GGD-92-119, Aug. 13 (27 pages).

In reviewing the U.S. Postal Service's (USPS) purchase of an image processing subsystem that would allow the addition of bar codes during mail processing, GAO found that USPS acted within the scope of its procurement authority in awarding the contract to ElectroCom, which has secured more than half of all postal automation contract dollars during the past decade. Several USPS officials accepted meals and travel from a German affiliate of ElectroCom, a violation of both the law and USPS standards of conduct. Even though these actions created the appearance of a conflict of interest, the contract could have been legitimately awarded to ElectroCom under federal procurement rules.

**Arlington National Cemetery:
Improvements to the Superintendent's Lodge**

GAO/RCED-92-208, Aug. 13 (14 pages).

Allegations surfaced in 1991 about extravagant remodeling at the superintendent's lodge on the grounds of Arlington National Cemetery. Although GAO has found that the renovations made to the lodge—a 1930s structure housing the superintendent and his family—were reasonable, a lack of internal controls allowed the superintendent to authorize and approve much of the work himself. Expenditures associated with the relocation of the new superintendent were authorized and paid for in accordance with rules and regulations. The Army has acknowledged the potential for abuse arising from these outlays and is developing policies and procedures for repairs and renovations to the lodge that will limit the authority of the superintendent to approve expenditures. The Army is also reassessing the amount that the superintendent will be required to pay for rent, utilities, and other services.

**D.C. Government:
District Medicaid Payments to Hospitals**

GAO/GGD-92-138FS, Aug. 24 (four pages).

A dozen hospitals in the District of Columbia filed suit against the D.C. government in October 1990, contending that the District's Department of

Human Services had shortchanged them by \$46 million for inpatient hospital services over a five-year period. In a 1991 settlement, the District government agreed to pay the various claims. This fact sheet provides information on two aspects of the District of Columbia's Medicaid Program. GAO looks at (1) the causes of the legal action taken by D.C. hospitals against the Medicaid Program and (2) whether the District could be using federal Medicaid money to fund other District programs.

Pay and Benefits:

Data on Attrition at the U.S. Export-Import Bank

GAO/GGD-92-128BR, Aug. 28 (17 pages).

This briefing report provides information on the recruitment and retention of staff at the U.S. Export-Import Bank. Eximbank officials have expressed concern that the agency has had difficulty attracting and keeping qualified staff in recent years because of noncompetitive salaries and benefits. From June 1989 through June 1992, however, total employment at the Bank actually increased and total staff leaving Eximbank decreased each year.

Congressional Reports:

OMB and Other Agency Reporting Requirements

GAO/GGD-92-90FS, Aug. 31 (eight pages).

Concerns have been raised that the reporting requirements Congress has imposed on federal agencies may be overly burdensome, resulting in duplicative and, in some cases, not very useful reports. This fact sheet examines the number of statutorily required reports that the Office of Management and Budget and other federal agencies provided to the House Committee on Government Operations during the 101st and 102nd Congresses under management-oriented legislation.

Health

Prescription Drugs:

Changes in Prices for Selected Drugs

GAO/HRD-92-128, Aug. 24 (70 pages).

Soaring prescription drug prices have burdened many Americans, particularly the elderly, who often must pay for these drugs out of pocket

because they lack health insurance with drug benefits. Price increases for 29 widely used drugs that GAO reviewed exceeded the inflation rate for the six-year period ended in 1991. Prices for 19 of the drugs, in fact, increased by more than 100 percent—with some surpassing 300 percent. By comparison, the rise in inflation for this same period was about 26 percent. Companies' explanations for the increases were vague and included few details because they consider information on pricing decisions to be confidential and proprietary. Among the factors they cited were increased research and development costs, expansion of manufacturing facilities, increasing product liability lawsuits, an accelerated approval process for generic drugs that shortens the period when companies can recoup their research and development costs, and inflation.

**Canadian Health Insurance:
Estimating Costs and Savings for the United States**

GAO/HRD-92-83, Apr. 28 (17 pages).

In a June 1990 report (GAO/HRD-91-90), GAO noted that if the United States were to adopt key elements of the Canadian health insurance system—universal insurance with no deductibles or copayments, controls on provider reimbursement, and administration by a single, public payer—the administrative savings could offset any added costs associated with a Canadian-style system. GAO updates that work with a detailed discussion of how it arrived at its estimates. Although analyses of how U.S. health spending would change under a Canadian-style system generally suggest that administrative savings could be significant, estimates vary more widely on possible costs arising from eliminating copayments. GAO compares these studies and the range of estimates. GAO also presents detailed information on the methodology it used to develop its savings and cost estimates for a Canadian-style system.

**Medicare:
Reimbursement Policies Can Influence the Setting and Cost of
Chemotherapy**

GAO/PEMD-92-28, July 17 (24 pages).

GAO has previously reported that oncologists have admitted sending patients to hospitals to avoid reimbursement problems associated with treating patients in their offices. In this report, GAO discusses the factors

that influence where oncologists treat Medicare patients and the potential cost to the government of treatment in different settings. Some oncologists have treated cancer patients in hospital inpatient and outpatient settings when, by clinical standards, they could have received treatment in the office. Financial factors influenced the oncologist's choice of setting, suggesting that the Health Care Financing Administration's reimbursement policies can have consequences beyond their intent. That is, whether and how much doctors are reimbursed by Medicare can influence the oncologist's choice of treatment setting and, as a result, can escalate Medicare expenditures.

Testimony

Women's Health Information: HHS Lacks on Overall Strategy, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Housing and Consumer Interests, House Select Committee on Aging. GAO/T-HRD-92-51, Aug. 5 (10 pages).

Although responsible for providing health information to the public, the Department of Health and Human Services (HHS) lacks an overall strategy for delivering such information to women. GAO has focused on six conditions that are of particular concern to women who are middle age and older—heart disease, breast cancer, osteoporosis, menopause, hormone replacement therapy, and urinary incontinence—and has discovered that HHS has no plans for ensuring that the most needed and useful information reaches the public. Instead, information campaigns are left to the discretion of HHS's Public Health Service agencies, which operate largely independently of each other. Even when information for the public is produced and distributed, it is not always easily accessible. In contacting local Public Health Service offices, GAO obtained requested information or a referral phone number only about half the time. Moreover, HHS does not routinely evaluate the usefulness of the information produced and has no way of knowing whether it is being targeted to the women who need it most.

Housing

**Public Housing:
Housing Persons With Mental Disabilities With the Elderly**

GAO/RCED-92-81, Aug. 12 (165 pages).

The mentally disabled occupy about nine percent of the public housing units for the elderly that GAO studied, and the number of such individuals

housed among the elderly appears to be on the rise. Public housing authorities report that people in almost one-third of those households cause serious problems like threatening other tenants and having disruptive visitors. Although about 78 percent of public housing authorities say that mental health services are provided in their communities, the extent to which public housing residents avail themselves of such services is unclear. Agreements between public housing authorities and local mental health services, however, have helped to deliver needed mental health care to public housing residents with disabilities. The rights of the mentally disabled to live in federally subsidized housing primarily serving the elderly vary by federal program. Excluding the nonelderly mentally ill from public housing for the elderly or from section 8 rental housing would violate the antidiscrimination requirements of the Fair Housing Act and the Rehabilitation Act of 1973.

**Homelessness:
HUD's Interpretation of Homeless Excludes Previously Served
Groups**

GAO/RCED-92-226, Aug. 12 (14 pages).

The Department of Housing and Urban Development (HUD), under new criteria established in 1991, began limiting its funds to programs that serve people who are literally homeless, the only exception being people threatened with immediate homelessness. Although HUD has revised its guidance, some of the terms and definitions that govern the HUD field offices and assistance providers remain vague. Terms describing individuals as "imminently" homeless or "in the later stages" of eviction have been interpreted differently by various HUD offices, leading to inconsistency and confusion concerning program eligibility. HUD's new eligibility criteria have made the following groups ineligible for funding: institutionalized mentally ill or retarded persons; persons doubled up with families or friends or living in substandard housing; and the rural homeless, who are often "hidden" in overcrowded or substandard housing.

**Homelessness:
HUD Improperly Restricts Applicants for Supplemental Assistance
Program**

GAO/RCED-92-200, Aug. 13 (36 pages).

GAO evaluated the implementation of the Supplemental Assistance for Facilities to Assist the Homeless program, created in 1987 to supplement funding provided under two other McKinney Act programs and to fund comprehensive, innovative programs that meet the immediate and long-term needs of homeless persons. This report (1) discusses whether the Department of Housing and Urban Development's (HUD) selection process for awarding grants has complied with the law, (2) provides information on HUD's recent actions to improve program management, (3) analyzes whether grantees accomplished their objectives as stated in their grant agreements, and (4) examines whether the projects funded under the program are reaching the target populations stipulated by the McKinney Act.

Testimony

Supportive Housing: HUD Is Not Assessing the Needs of Elderly Residents, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Housing and Consumer Interests, House Select Committee on Aging. GAO/T-PEMD-92-12, Aug. 12 (16 pages).

How well does the Department of Housing and Urban Development (HUD) assess the need for (1) supportive services for elderly residents in section 202 housing and (2) modernization and retrofitting of section 202 buildings? HUD neither collects data nor has a methodology for assessing the needs of section 202 housing residents. HUD contends that supportive services in section 202 housing are the responsibility of the Department of Health and Human Services (HHS). Given that a section 202 building's physical structure and its service component are fundamentally linked to the concept of supportive housing, some coordination between the two agencies on this issue might have been expected. This does not appear to have been the case: A draft memorandum of understanding between HUD and HHS has been around for years but has never been signed. Information on resident frailty and the need for building modernization and retrofitting can be used to target projects most deserving of available funding. Information on resident frailty can also be used to determine the features that residents need in their buildings. Currently, HUD neither collects nor ensures that project sponsors collect data on these subjects. Although HUD periodically inspects the physical condition of 202 projects and rates building managers, limited staff and travel budgets mean that HUD cannot perform inspections annually. When inspections are done, no assessment is made of a facility's retrofitting requirements.

Income Security

Pension Plans:

Pension Benefit Guaranty Corporation Needs to Improve Premium Collections

GAO/HRD-92-103, June 30 (15 pages).

The Pension Benefit Guaranty Corporation's (PBGC) efforts to identify and collect delinquent (unpaid) premiums, interest, and penalties have fallen short. Attempts to collect delinquent premiums from large plans have been infrequent, and follow-up has been sporadic; PBGC does not try to identify or collect premiums from small plans. Until April 1992, PBGC had not sent bills for underpaid premiums, interest, and penalties to large or small plans for plan years after 1987. A breakdown in PBGC's computerized premium accounting system was a major factor in some of these problems. Further, PBGC normally does not use civil action to make collections. GAO recommends specific steps PBGC should take to improve premium collections.

Premium Accounting System:

Pension Benefit Guaranty Corporation System Must Be an Ongoing Priority

GAO/IMTEC-92-74, Aug. 11 (nine pages).

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of more than 40 million Americans participating in about 85,000 private-sector plans. Although PBGC has an automated premium accounting system to process and account for the insurance premiums received from plan sponsors, this system has not been fully operational since 1988, when PBGC unsuccessfully tried to modify it in response to new legislative requirements. This failure is due mainly to insufficient management attention to efforts to modify the current system and procure a replacement system. PBGC, acknowledging this weakness, instituted an interim solution in July 1992 to beef up senior management oversight of the premium accounting system initiative. This is a step in the right direction, but PBGC must continue to make management of the system an ongoing priority, even after the replacement system is in place.

Testimony

Financial Condition of the Pension Benefit Guaranty Corporation, by Joseph F. Delfico, Director of Income Security Issues, before the

Subcommittee on Oversight, House Committee on Ways and Means.
GAO/T-HRD-92-52 Aug. 11 (11 pages).

The Pension Benefit Guaranty Corporation's (PBGC) deficit has been spiraling upward in recent years and is expected to rise even further as underfunded pension plans insured by PBGC terminate in the future. PBGC's cash flow can handle current benefit payments, but this situation may not last. GAO urges serious discussion on ways to improve funding in underfunded plans to reduce the risk to PBGC from future terminations. Although the administration has put forth several proposals for reducing future claims against PBGC, none of them would reduce PBGC's existing deficit. GAO supports the goals of many of these proposals but believes that more study should be given to how they may affect plan participants, plan sponsors, the adequacy of plan funding, and federal revenues. Other ways of cutting PBGC's potential claims and current deficit should be examined, such as improving funding in flat benefit plans, making greater use of PBGC's existing termination authority, and restructuring PBGC premiums to better reflect potential risks. PBGC is also burdened by significant internal operations problems.

Information Management

Practitioner Data Bank: Information on Small Medical Malpractice Payments

GAO/IMTEC-92-56, July 7 (19 pages).

The National Practitioner Data Bank, which has been open since September 1990, allows the Department of Health and Human Services to collect and release information on medical malpractice payments and professional actions against doctors, dentists, and other health care professionals. In response to congressional concerns that small payments are often considered meritless and implicate physicians who want to avoid the expense of going to court, this report (1) identifies and analyzes the range of malpractice payments reported to the data bank and (2) discusses the views of key health care service and professional organizations on including small malpractice payments in the data bank.

Information Dissemination: Case Studies on Electronic Dissemination at Four Agencies

GAO/IMTEC-92-6FS, July 22 (47 pages).

This fact sheet examines electronic information dissemination at four government agencies: the Department of Agriculture, the National Technical Information Service, the Census Bureau, and the National Library of Medicine. For each agency, GAO describes users and uses of the data, agency planning activities, data integrity practices and controls, costs for information dissemination, and prices paid by information users. GAO has not, however, evaluated how effective or efficient agency dissemination practices are or whether agency activities were done in accordance with laws and regulations.

**Air Force ADP:
Status of Logistics Modernization Projects and CIM Impacts**

GAO/IMTEC-92-66, July 30 (23 pages).

The Air Force has spent about \$1 billion to replace 108 outdated logistics computer systems with 14 new ones. According to the Air Force, six of the 14 are still being developed, one has been canceled, and seven have been delivered. Although GAO has not assessed whether the delivered systems were cost effective, one system delivered in 1987 at a cost of \$21 million—\$8.9 million below estimate—was ineffective and should be discontinued. The Air Force itself has not thoroughly evaluated the benefits of any of the delivered systems and will have a hard time doing so because it lacks adequate performance measures. Further, the Pentagon has not yet done the analyses needed to evaluate ongoing logistics systems, select the most promising, and curtail the rest. These analyses must be completed before the Pentagon can determine whether the Corporate Information Management Initiative, begun in 1989 to improve business operations in functional areas, including logistics, will affect the modernization projects.

International Affairs

**U.S.-Mexico Trade:
Assessment of Mexico's Environmental Controls for New
Companies**

GAO/GGD-92-113, Aug. 3 (23 pages).

A review of six new U.S.-majority-owned maquiladora plants in Mexico discovered that each began operating without complying with the Mexican government's environmental regulations, an occurrence that is reportedly widespread among many sectors of the Mexican economy. The Mexican

government considers these environmental controls, mainly environmental impact appraisals and operating permits, critical to Mexico's ability to handle environmental issues arising from the potential U.S.-Mexico free trade agreement. This report (1) assesses whether a sample of six U.S. maquiladora companies that built plants in Mexico prepared environmental impact appraisals and obtained operating permits before starting up, (2) provides information on needed improvements in these environmental controls, (3) discusses Mexico's limitations on the public's participation in approving environmental impact appraisals and operating permits, (4) identifies Mexico's budget for its environmental protection program and other efforts to strengthen environmental protection, and (5) discusses the extent of U.S.-Mexican cooperation to beef up environmental impact appraisal compliance.

**Aid to Nicaragua:
U.S. Assistance Supports Economic and Social Development**

GAO/NSIAD-92-203, Aug. 14 (67 pages).

Upon assuming office in April 1990, the democratically elected government of Nicaraguan President Chamorro confronted an economy plagued by hyperinflation, high unemployment, and dire social needs. The United States recently provided almost \$500 million in economic support to help Nicaragua overcome its economic and social problems. It plans to give another \$142 million in fiscal year 1992 and about \$200 million annually through fiscal year 1996. This report discusses the effectiveness of and lessons learned from U.S. assistance to Nicaragua.

Testimony

Export Promotion: Federal Approach Is Fragmented, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs. GAO/T-GGD-92-68, Aug. 10 (14 pages).

The federal government's multibillion-dollar effort to boost U.S. exports is, according to GAO, fragmented and adrift without an overall strategy. GAO believes that in light of the funding imbalances and program inefficiencies that have plagued the existing federal export promotion program, a governmentwide strategy is needed to maximize the return to the taxpayer on limited export promotion funds. GAO supports legislation pending before Congress—H.R. 5361, the Export Administration Development Act of 1992—that would require the formulation of such a strategy. It is

unclear, however, whether creating an Export Development Administration with both coordination and operational responsibilities is the best solution.

Justice and Law Enforcement

Asset Forfeiture: Improved Guidance Needed for Use of Shared Assets

GAO/GGD-92-115, July 16 (38 pages).

Under forfeiture laws allowing the seizure of criminals' assets, the Department of Justice and the U.S. Customs Service take in hundreds of millions of dollars in cash and property each year. State and local law enforcement agencies, which cooperate with the federal government in these seizures, are eligible for a share of the forfeited assets. The 15 state and local law enforcement agencies GAO visited used shared assets to pay for everything from helicopters to new crime laboratory equipment to salaries. Although Justice and Customs program guidance requires state and local agencies to use shared assets strictly for law enforcement purposes, acceptable uses under the guidance can be broadly interpreted, leading to, in GAO's opinion, questionable expenditures. Justice, aware that existing guidance on the use of shared assets is vague and confusing, is considering revising and clarifying the guidance. GAO notes, however, that such changes need to be planned and undertaken jointly by the two agencies.

Sentencing Guidelines: Central Questions Remain Unanswered

GAO/GGD-92-93, Aug. 14 (195 pages).

Data limitations make it impossible to know how effective the federal sentencing guidelines mandated in 1987 have been in reducing racial and other disparities in the sentences given to similar offenders for similar crimes. Until the 1980s, judges had wide discretion in meting out prison sentences, resulting in vastly different sentences for individuals convicted of similar crimes. Some studies suggested that the judge hearing a case was a better indicator of a likely prison term than either the crime or the defendant. The Sentencing Reform Act of 1984 brought sweeping changes to federal sentencing policy, requiring the development of sentencing guidelines, eliminating parole, and scrapping rehabilitation as a goal of imprisonment. GAO and the U.S. Sentencing Commission evaluated the

impact of the guidelines but, because of a lack of data, could not determine definitively how effective they had been in reducing sentencing disparity. The work load of the criminal justice system, however, appears to be increasing as a result of the guidelines. GAO recommends that the Commission continue to collect data and do the analyses needed to determine whether sentencing disparity is increasing, decreasing, or remaining stable under the guidelines and the amount of disparity that is unwarranted. The Commission should also continue to explore the impact of the guidelines on the operations of the criminal justice system.

Testimony

Border Patrol: Southwest Border Enforcement Affected by Mission Expansion and Budget, by Harold A. Valentine, Associate Director for Administration of Justice Issues, before the Subcommittee on International Law, Immigration and Refugees, House Committee on the Judiciary. GAO/T-GGD-92-66, Aug. 5 (15 pages).

Although the Border Patrol's budget has increased 82 percent since fiscal year 1986, staff along the southwest border declined by nine percent between 1988 and 1990. Further, the proportion of agent time devoted to border patrol activities fell from 71 percent to 60 percent from 1986 to 1991. The apprehension rate overall has decreased since 1986, and there has been an upswing in assaults against Border Patrol agents along the southwest border. Finally, some of the Border Patrol equipment needs replacement, including half of its vehicles that have excessive mileage. With illegal aliens continuing to flow into the United States at a heavy rate, it is fair to assume that the Border Patrol's abilities have been harmed by the decrease in the proportion of agent time devoted to border control activities and the poor condition of its equipment.

National Defense,
Security, and Military
Procurement

**Embedded Computer Systems:
Defense Does Not Know How Much It Spends on Software**

GAO/IMTEC-92-62BR, July 6 (16 pages).

Although defense weapons systems are increasingly dependent on software for everything from communications to firing weapons, the Pentagon has no idea how much it is spending on this critical and costly technology. Estimates of software costs range as high as \$32 billion annually, or about 11 percent of the total defense budget. Such projections, however, are extremely sketchy because the Defense

Department (DOD) has never isolated software costs as a discrete item in weapons system development. DOD has recently required that new weapons programs separately identify and report software costs. Collecting more complete cost information on embedded software could help DOD to more effectively manage its weapons programs.

**Military Training:
DOD Training Fatalities for Fiscal Years 1988 Through 1991**

GAO/NSIAD-92-213FS, July 22 (six pages).

Some military training to prepare troops for combat involves safety risks. GAO's analysis of Defense Department data shows that 752 active duty military personnel died while engaging in peacetime training during fiscal years 1988-91. These fatalities, representing 19 percent of all accidental deaths in the military services during those years, resulted from a variety of circumstances; aviation mishaps, however, accounted for 484, or about 64 percent, of these deaths.

**Marine Corps Training:
Circumstances Surrounding the Death of a Marine and Resulting Actions**

GAO/NSIAD-92-211, Aug. 4 (eight pages).

Lance Corporal Matthew W. Fitch drowned during a training exercise in Panama in October 1989. A Judge Advocate General Manual investigative report recommended disciplining the four Marines involved in his death. Although the first lieutenant in charge of Fitch's detail received an adverse fitness report and was later transferred, none of these Marines was charged with an offense or received any disciplinary action, though recommended by the investigation and implied by a Navy letter to Congressman Les Aspin. The Marine Corps Ground Safety Office reviewed the case files and determined that no specific safety recommendations were warranted.

**Shipbuilding:
Navy's Plan to Acquire Additional Strategic Sealift**

GAO/NSIAD-92-224, July 30 (12 pages).

Congress has been encouraging the Pentagon to beef up its sealift capabilities, providing \$2.1 billion in recent years for 20 new strategic ships to rapidly deploy troops and equipment. The Navy has been considering both new construction and conversion of existing ships to help obtain additional sealift capability. Significant time and money can be saved if the Navy buys and converts existing ships. If the Defense Department lowers its speed requirement for a few of the 20 ships, more vessels will be eligible for conversion, possibly saving even more time and money.

**Battlefield Automation:
Planned Production Decision for Army Control System Is
Premature**

GAO/NSIAD-92-151, Aug. 10 (35 pages).

The Army is taking a risky approach to testing a major computer system to automate battlefield command, control, and communications. In procuring its Tactical Command and Control System computers after testing only one of the system's five segments, the Army may be spending as much as \$1.8 billion on equipment production before knowing whether all five segments work together. This strategy conflicts with congressional guidance stating that the system should be tested as an integrated whole. Other congressional guidance calls on the military to take its time in developing weapons systems so that they will be right the first time. By delaying operational testing, the Army can follow congressional guidance, cut procurement risk, and correct deficiencies that GAO spotted in the planned tests.

**Defense Procurement:
Trends for 1985-93 in DOD's Spending, Employment, and
Contractors**

GAO/NSIAD-92-274BR, Aug. 14 (eight pages).

The economic impact of defense cutbacks in the 1990s will doubtless be widespread, affecting both government workers and defense contractors. This briefing report provides information on (1) trends in Defense Department (DOD) military and civilian employment since 1985, (2) trends in the number of defense-related jobs in the private sector since 1985, (3) trends in the number of DOD contractors, (4) impediments to identifying job impacts associated with changes in DOD spending at the third and

fourth subcontractor tiers, and (5) trends in DOD budget authority and outlays since 1985.

**Operation Desert Storm:
Full Army Medical Capability Not Achieved**

GAO/NSIAD-92-175, Aug. 18 (82 pages).

Because of the high number of U.S. casualties expected during the Persian Gulf war, the Army shipped 23,000 medical personnel and millions of dollars in medical supplies to the region. The Army had to overcome significant problems to make medical units operational before the start of the ground war, including (1) inadequate data in the personnel information systems used to identify doctors and nurses for active duty assignments and (2) a lack of peacetime training to prepare doctors and nurses for their wartime roles. The Army also faced equipment and other logistical support problems. For example, even with a massive effort to field equipment and supplies to hospital units, many did not receive equipment or received only partial shipments. Equipment and transportation shortages also affected hospital mobility, and the evacuation of casualties was hampered by long distances, poor communications, and a lack of navigational equipment. Had the war started earlier or lasted longer or had the predicted number of casualties occurred, the Army's ability to provide adequate care would have been doubtful.

**Defense Procurement:
Need to Improve Internal Controls on Deferred Contractor Debts**

GAO/NSIAD-92-198, Aug. 20 (19 pages).

The largest contractor debt deferral of the 1980s arose from the termination of the A-12 development contract, in which the Navy demanded repayment from the McDonnell Douglas and General Dynamics Corporations of more than \$1.3 billion, an amount involving progress payments for which no completed items had been accepted by the government. At the request of the contractors, the Navy agreed to defer the repayment until either the case was decided in court or a negotiated settlement was reached—neither of which has happened so far. This report reviews all contractor debt deferrals granted by the Pentagon from 1980 through 1991. GAO examines the (1) criteria used in granting deferrals, (2) number of deferrals granted to small or disadvantaged businesses, (3) terms and conditions of the deferrals, (4) policies and

procedures used in managing deferments, and (5) resolution of the deferred debts. Due to a lack of adequate internal controls, the Defense Department (DOD) has no idea how many contractor debts it deferred during the 1980s, what their status is, or how much money was involved. GAO's best guess is that 93 cases with deferred debts of about \$1.6 billion were open at the end of 1991. Further, once debts are deferred, DOD makes little effort to manage the accounts. Long after cases have been resolved, responsible officials do not know the status of these debts and money owed the government seems to go uncollected.

**1993 Defense Budget:
Potential Reductions to Ammunition Programs**

GAO/NSIAD-92-249, Aug. 25 (38 pages).

GAO concludes that most items in the military services' \$1.2 billion fiscal year 1993 request for ammunition and the Army's \$193 million request for production base support are justified. But \$255.2 million, or 17.5 percent, of the fiscal year 1993 request is unjustified and should not be funded. Further, \$9.6 million can be rescinded from the fiscal year 1992 appropriation, and \$10.6 million can be rescinded from the fiscal year 1991 appropriation.

**Military Aircraft:
C-17 Supplier Management Problems Are Not Related to Budget
Reductions**

GAO/NSIAD-92-207, Aug. 26 (20 pages).

Congress slashed the Air Force's fiscal year 1991 budget request for the C-17 because of concerns that the C-17's prime contractor, the Douglas Aircraft Company, was behind schedule and was unready to boost production. Fears that this action would damage the C-17's subcontractor base and cause suppliers to leave the program appear to have been unwarranted. Only six of the 33 major suppliers reported any adverse effects, and none has left the C-17 program. Similarly, the major suppliers said that none of their subcontractors had complained of being affected by the budget cuts. The Air Force and Douglas Aircraft admit that their earlier concerns may have been overblown. Although Douglas Aircraft has corrected some of the supplier management problems since June 1990, progress has been slow and problems remain, including a number of overage, undefinitized contracts; inadequate cost and price analyses of

purchase orders; and slow release of purchase orders to suppliers. Douglas Aircraft officials asked for a review of the purchase system two years after it was first disapproved. They are now analyzing the results to identify remaining weaknesses.

**Military Ordnance:
Cleanup Activities at the Former Raritan Arsenal**

GAO/NSIAD-92-235, Aug. 27 (16 pages).

Until World War II, accidental explosions at the Raritan Arsenal—a 3,200-acre Army facility operating in Edison, New Jersey, from 1917 to 1963—rained ordnance fragments on the surrounding area. In addition, personnel at the arsenal fumigated with an assortment of chemicals, which were later disposed of by burial. Efforts to clean up ordnance at Raritan were expected to be finished by mid-1993. Due to funding constraints, however, the Army Corps of Engineers now anticipates that the work will continue into fiscal year 1995. Hazardous waste cleanup is also ongoing at Raritan but is still in the early stages and will take much longer than the ordnance cleanup. Neither the Corps nor the Environmental Protection Agency is required to formally certify that cleanups have met specific standards. GAO identified no detrimental effects of the lack of such a requirement.

**Air Force Logistics:
Need to Improve Management Transfer of On-Order Items That
Can Be Terminated**

GAO/NSIAD-92-262, Aug. 28 (eight pages).

The Air Force is missing opportunities to stop unneeded purchases because it is transferring management of its on-order items to the Defense Logistics Agency (DLA) without ensuring that analyses of recommended terminations are complete. As a result, termination actions are untimely, dollar savings may be lost, and unneeded items may be added to inventories. Air Force procedures require review of potential terminations and updates of files. But they do not ensure that (1) the analyses are completed and results provided to DLA or (2) current, accurate on-order information needed to manage items is provided to DLA. GAO reviewed 10 items with the largest potential termination values transferred from the San Antonio Logistics Center to DLA and found that the Air Force had finished its analyses and provided current, accurate information to DLA for

only two items. Since the Air Force expects to complete the transfer of items to DLA within three years, quick action is needed to improve the completeness and the accuracy of the information it provides to DLA.

**Navy Contracting:
Cost Growth Continues on Ship Construction Contracts**

GAO/NSIAD-92-218, Aug. 31 (32 pages).

For the last several years, GAO has monitored cost growth on Navy ship construction contracts and has testified and issued several reports on the subject. This report updates the status of the cost growth, describes trends in that growth, and discusses recent actions to finance additional costs and the implications of future cost growth.

Testimony

Defense Management: Consolidation of Printing, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Joint Committee on Printing. GAO/T-NSIAD-92-48, Aug. 4 (11 pages).

GAO testified on the Defense Department's efforts to consolidate the printing and duplicating functions of the military services and the Defense Logistics Agency under a centralized service run by the Navy. GAO (1) discusses the current status of these efforts, (2) identifies areas in which the new service expects future savings, and (3) comments on conditions that may affect future savings.

Natural Resources

**Endangered Species:
Contract Funding for Selected Species**

GAO/RCED-92-218, July 17 (nine pages).

GAO looked at whether individuals or groups that petition the Fish and Wildlife Service to put plants and animals on the endangered species list later receive agency funds to study those same plants and animals. According to Fish and Wildlife Service officials, agency contracting policies do not prohibit petitioners from receiving Endangered Species Act funding to study the same species for which they have submitted petitions. Of the 228 contracts for studying endangered species that GAO examined, 38 had been awarded to study the same species covered by the petitions. But in only one case was a petitioner associated with a Fish and Wildlife

Service award. In this instance, the principal investigator for the organization receiving funding was the same person who had petitioned for the species to be placed on the endangered species list.

**Coastal Barriers:
Development Occurring Despite Prohibitions Against Federal Assistance**

GAO/RCED-92-115, July 17 (65 pages).

Coastal islands buffer the U.S. mainland from hurricanes and are an important source of habitat for fish and wildlife, including some endangered species. More and more islands, despite being highly unstable, are being developed because of their natural beauty and the dwindling supply of beachfront property. This development has also been spurred by the availability of national flood insurance and other federal assistance. Congress, in an effort to cut down on environmental damage and the government's exposure to losses from storm damage, passed legislation a decade ago that prohibits new federal financial assistance on most coastal islands. Although this legislation has discouraged development on some coastal islands and other islands are unlikely to be developed anytime soon because they are either inaccessible or unsuitable for building, significant development has occurred since 1982 in some attractive and accessible islands. Extensive new development can be expected in these and similar areas in the future. Most federal agencies have not provided new financial assistance for the coastal islands. Two exceptions involve the Federal Emergency Management Agency, which underwrote flood insurance obtained by ineligible property owners, and the Air Force, which granted an easement on land within Florida's Eglin Air Force Base at no cost to a quasi-state agency that wanted to build a bridge to one of the coastal islands. GAO also discovered that permits issued by agencies such as the U.S. Army Corps of Engineers have allowed development on certain coastal islands.

**Water Resources:
Future Needs for Confining Contaminated Sediment in the Great Lakes Region**

GAO/RCED-92-89, July 17 (40 pages).

The U.S. Army Corps of Engineers has built 26 confined disposal facilities since 1974 to hold bottom sediment dredged from harbors, channels, and

other waterways in the Great Lakes area. This mud often contains contaminants, such as chemicals from industry or agricultural runoff, that require special handling. Six of the facilities are already filled to capacity, and 18 others are expected to be filled by 2006. Twelve more facilities are planned, and more sites will be needed in the foreseeable future. The Corps is now deciding whether it or state and local governments should pay the construction costs. Construction of more facilities is at a virtual standstill. Because of concerns from communities and environmental groups, finding suitable disposal sites for contaminated dredged material has been difficult and time-consuming. As a result, the Corps has deferred some dredging and commercial and recreational navigation in some areas has been harmed.

Water Resources:
The Corps of Engineers' Dredging Program for Small Business Firms

GAO/RCED-92-239BR, Aug. 3 (37 pages).

This briefing report looks at whether the U.S. Army Corps of Engineers program to set aside or restrict part of its dredging contracts for small businesses significantly boosts federal costs because there is less competition for restricted-bid contracts. GAO evaluated existing studies on program costs and competition (measured by the number of bids per contract) done on behalf of large and small dredging firms. GAO also did a separate analysis of dredging contracts the Corps awarded during a recent 31-month period.

Mineral Resources:
Proposed Revision to Coal Regulations

GAO/RCED-92-189, Aug. 4 (16 pages).

The Mineral Leasing Act of 1920 requires lessees to diligently develop federal coal leases and maintain continued operation of leases once production begins. To meet these requirements, lessees must produce coal in commercial quantities within 10 years and continue production in commercial quantities. The Bureau of Land Management (BLM) published a proposed rule in the Federal Register in July 1991 that would redefine commercial quantities, cutting the required level of coal production from one percent of recoverable reserves to 0.3 percent. This change would significantly reduce the minimum production level now required to retain

a federal coal lease. This report examines BLM's justification for the proposed change.

**Mineral Resources:
Value of Hardrock Minerals Extracted From and Remaining on
Federal Lands**

GAO/RCED-92-192, Aug. 24 (17 pages).

GAO surveyed mineral operators on the value of eight hardrock minerals—barite, copper, gold, lead, limestone, molybdenum, silver, and zinc—extracted from public lands in 12 western states. According to the questionnaire responses, the total value of these eight minerals extracted during 1990 was at least \$1.2 billion. Almost \$1 billion of this came from one state—Nevada. The total value of the remaining mineral reserves on federal lands at the end of 1990 was estimated at almost \$65 billion.

**Natural Resources Protection:
Reelfoot Lake Lease Terms Met, but Lake Continues to
Deteriorate**

GAO/RCED-92-99, Aug. 17 (63 pages).

Under an agreement signed in 1941, the Fish and Wildlife Service assumed responsibility for maintaining Reelfoot Lake, the largest natural lake in Tennessee, including controlling siltation and the growth of undesirable vegetation. Because the lake, which is used extensively by fishermen, boaters, and wildlife enthusiasts, captures drainage from adjacent eroding cropland, it has been silting up over the years and is increasingly swampy in areas; today, more than 40 percent of the lake is three feet deep or less. This report (1) discusses the extent to which the Fish and Wildlife Service has complied with terms of the lease agreement and (2) identifies the main causes of the lake's deterioration, options for improving the lake's condition, and barriers to implementing these options.

**Science, Space, and
Technology**

**Federal Research:
SEMATECH's Technological Progress and Proposed R&D Program**

GAO/RCED-92-223BR, July 16 (44 pages).

SEMATECH—the government-industry research and development consortium formed in 1987 to help the United States regain world leadership in semiconductor manufacturing by the end of 1992—appears to be on schedule for achieving its objective, but the Pentagon plans to phase out future direct funding for the consortium despite member companies' support for continued funding. The 1992 goal of producing state-of-the-art semiconductors using only U.S. equipment will likely be achieved, although this capability will enable U.S. industry to only reach parity with—not surpass—the Japanese. U.S. semiconductor manufacturers and equipment suppliers seem to have stemmed the decline in their worldwide market share. How much credit SEMATECH should get for this turnaround is unclear, however. The Defense Department has proposed phasing out funding earmarked for SEMATECH at the end of this year. Under the proposal, projects at SEMATECH and other groups would be funded on a case-by-case basis. The agency plans to spend \$80 million annually on semiconductor research during the next five years. SEMATECH member companies, citing both national defense and economic benefits, support continued federal backing for SEMATECH. This report also details SEMATECH's expenditures during its first five years and its proposed budget after 1992.

**Federal Research:
Implementation of the Super Collider's Cost and Schedule Control System**

GAO/RCED-92-242, July 21 (six pages).

The Superconducting Super Collider project, estimated to cost \$8.25 billion and to be completed over a 10-year period ending in 1999, is designed to produce intense proton collisions, thereby providing insights into the fundamental components of matter. In April 1991 testimony (GAO/T-RCED-92-48), GAO indicated that the Department of Energy (DOE) lacked an integrated system for monitoring cost and schedule performance. DOE argued that GAO's testimony relied on 1990 audit work and did not accurately reflect present conditions. This report provides information on (1) the time frame and the basis of GAO's data that supported the April 1992 testimony and (2) the status of both GAO's review and DOE's system for managing the Superconducting Super Collider's cost and schedule.

Social Services

Child Abuse: Prevention Programs Need Greater Emphasis

GAO/HRD-92-99, Aug. 3 (83 pages).

Reports of child abuse soared from 60,000 in 1974 to more than 2.6 million in 1990. The federal government gives the states billions of dollars annually to deal with the aftermath of child abuse, but targets only a meager sum for abuse prevention—an imbalance Congress could help remedy by authorizing adequate reimbursement to the states when they carry out effective prevention programs. For example, federal payments to states for foster care for abused children totaled more than \$1.8 billion in 1991 whereas federal funding for prevention and treatment is less than \$60 million annually. Child abuse prevention programs, however, have been shown to be effective. A recent evaluation of a nurse home-visiting programs showed that high-risk teen mothers who did not receive services were far more likely to abuse their children. Other studies suggest that prevention programs also alleviate other problems linked with abuse, such as learning disabilities and chronic health conditions. One estimate pegs the cost of lost productivity of adults who were victims of severe child abuse at as much as \$1.3 billion annually. Many programs GAO visited are struggling to survive because they rely on multiple short-term funding sources.

Tax Policy and Administration

Tax Administration: Congress Needs More Information on Compliance Initiative Results

GAO/GGD-92-118, July 31 (17 pages).

The Internal Revenue Service (IRS) has three initiatives under way to (1) increase collection staff so that IRS can collect more delinquent accounts, (2) increase examination staff so that IRS can audit more returns, and (3) revise the training program for revenue agents to free up more experienced staff for audit work. In providing IRS with more enforcement staff during a time of budgetary constraints, Congress needs to understand the net impact of any additional staff it authorizes. IRS' current tracking system focuses on the revenue gained from the staffing increases for these initiatives but ignores reductions in revenue that result from reductions to baseline staffing. IRS needs to track the total picture so that Congress can assess the net effect of its staffing increases. Although IRS recognizes the

importance of documenting its methodology, assumptions, and the data it uses to develop its revenue estimates, IRS did not follow this standard for its collection initiative.

**Tax Administration:
Opportunities to Further Improve IRS' Business Review Process**

GAO/GGD-92-125, Aug. 13 (16 pages).

The Internal Revenue Service (IRS) is moving forward with its new business review process, which should help chart its progress in meeting agency objectives. Senior management appears strongly committed to making the process work, the process has been structured to include various essential elements that GAO outlined in an earlier report (GAO/GGD-89-1), and the process has continued to improve from year to year. IRS can further improve the process by (1) compiling review results in an overall assessment of its progress in implementing long-term strategies and meeting long-term objectives, (2) doing business reviews of its National Office, (3) ensuring that the number of performance factors being measured is appropriate, and (4) expanding communications about the business review process within the agency. An important step IRS can take to enhance the business reviews is to improve its performance measures. IRS is trying to develop better performance measures and is addressing many of the opportunities GAO identified.

**Tax Policy:
1988 and 1989 Company Effective Tax Rates Higher Than in Prior Years**

GAO/GGD-92-111, Aug. 19 (74 pages).

Before the Tax Reform Act of 1986, some of the nation's largest companies paid taxes at rates far lower than the statutory rate. This legislation was expected to eliminate or reduce the impact of many of the tax laws that had allowed companies to cut their tax bills by deferring some of their tax expense to the future. This report reviews U.S. and worldwide tax rates of large U.S. companies for 1988 and 1989. GAO (1) computes effective tax rates for 220 large firms in 29 industries for each year and (2) tries to identify the reasons for low or high effective tax rates for each industry.

Transportation

Motor Vehicle Regulations: Regulatory Cost Estimates Could Be Improved

GAO/RCED-92-110, July 9 (44 pages).

Although federal safety, emissions, and fuel economy regulations have yielded a wealth of benefits—everything from fewer highway deaths to cleaner air—manufacturers and consumers have paid a price. Federal agencies and the auto industry estimate regulatory costs by figuring component costs and then adding in the costs of manufacturer and dealer overhead and profit (markup) to arrive at the consumer cost. Government and industry cost estimates, however, often vary substantially. For example, the National Highway Traffic Safety Administration pegged the cost of a drivers'-side air bag at \$220, while industry estimated it at about \$500. This report examines (1) the methods that government and industry use to estimate the cost of proposed regulations, (2) the reasons for differences between federal and industry estimates, and (3) the extent to which federal agencies coordinate and exchange information on vehicle regulations.

Motor Vehicle Safety: Key Issues Confronting the National Advanced Driving Simulator

GAO/RCED-92-195, Aug. 18 (42 pages).

The Department of Transportation (DOT) plans to build a \$32 million state-of-the-art driving simulator at the University of Iowa. The simulator, housed in a 50-foot-high experimental bay that can mimic road conditions, will assist in research to reduce the number of deaths, injuries, and economic losses resulting from traffic accidents. It is expected to begin operating in 1996. Although the simulator's benefits cannot now be quantified in terms of lives or dollars saved, DOT believes that the simulator will improve the effectiveness of its vehicle safety, highway construction, and other programs. The simulator will allow a variety of kinds of research that are not possible today, such as measuring the influence of different prescription drug doses on a driver. Current estimates and funding sources for the simulator are sketchy. A better picture of the simulator's cost and performance will be available once the two design contracts are completed in fiscal year 1993. A funding commitment from sources other than DOT has yet to be pinned down, although the National Highway Traffic Safety Administration has officially asked the private sector to make a financial contribution.

Testimony

Aviation Safety: Additional Actions Needed for Three Safety Programs, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-92-90, Aug. 4 (12 pages).

Although the Federal Aviation Administration (FAA) has developed requirements to deal with the safety of aging aircraft, GAO does not see significant follow-through in the places where safety inspections and compliance monitoring actually take place—the maintenance bays and hangars around the country. As airlines alternatively retire older aircraft and then return them to service to meet the changing demand for air travel, oversight of older aircraft becomes a critical safety issue. GAO testified that FAA must follow up on its efforts to develop and maintain an industrywide, periodically updated data base and make aging aircraft compliance inspections an integral part of safety inspectors' assignments. In addition, FAA has recently made progress on the Traffic Alert/Collision Avoidance System, an onboard device for alerting pilots to nearby planes, but several issues remain. Finally, procurement problems with the new Airport Surface Detection Equipment radar persist, and the split target phenomenon remains unresolved. Some FAA officials are leery about fielding the system until this problem is worked out, but GAO continues to support deploying the system while FAA explores solutions. Moreover, FAA needs to complete its plans and establish priorities and cost estimates for the Runway Incursion Plan projects.

Veterans Affairs

**VA Health Care:
Inadequate Controls Over Scarce Medical Specialist Contracts**

GAO/HRD-92-114, July 29 (20 pages).

More than 100 Department of Veterans Affairs (VA) medical centers contract with outside medical specialists, mainly for radiology and anesthesiology services. Contracting costs have mushroomed from \$17 million in fiscal year 1985 to more than \$80 million in fiscal year 1991. The VA Inspector General, citing inadequate contracting procedures as the cause, reported in 1987 that the medical centers were paying millions of dollars for services that either were unneeded or had never been delivered. VA needs to beef up oversight of medical specialist contracts. Due to a lack of data and evaluation criteria for contract proposals, however, it cannot identify medical centers with contracting problems. VA recognizes that major weaknesses persist in contracting for medical

specialists and appears committed to making necessary improvements. GAO summarized this report in testimony before Congress; see:

VA Health Care: Inadequate Controls Over Scarce Medical Specialist Contracts, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. GAO/T-HRD-92-50, Aug. 5 (nine pages).

**VA Health Care:
Role of the Chief of Nursing Service Should Be Evaluated**

GAO/HRD-92-74, Aug. 4 (19 pages).

In most private hospitals, the chief of the nursing service is an executive who reports directly to the hospital chief executive. The Department of Veterans Affairs (VA) tested such an arrangement in one of its medical centers and found that it enhanced morale, decreased nurse turnover, and made for more efficient and effective resolution of problems in areas like patient care. Nevertheless, VA has not applied the concept anywhere else. VA's chief medical director is concerned that instituting this practice at other VA medical centers would harm the morale of service chiefs such as the chief of medicine. In GAO's view, however, the elevation of the role of chief of nursing should be extended to other VA medical centers. In a related matter, GAO notes that bedside terminals have the potential to improve both nurse productivity and the quality of patient care. But both VA and non-VA hospitals have been slow to install such equipment because of its high cost. VA is now testing the bedside terminal at two sites and believes that by August 1992 it will be able to make a more informed decision about the cost-effectiveness of wider use of this technology.

**VA Health Care:
Offsetting Long-Term Care Costs by Adopting State Copayment Practices**

GAO/HRD-92-96, Aug. 12 (31 pages).

The Department of Veterans Affairs (VA) could offset more of the costs of providing nursing home and domiciliary care in VA and community facilities if Congress allowed it to increase charges to veterans. In fiscal year 1990, VA offset less than one-tenth of one percent of its costs to provide care. In comparison, the eight states GAO visited required copayments of between four and 43 percent of state home operating costs.

If VA had offset similar percentages, its yearly recoveries would have been between \$43 million and \$464 million. State homes offset a larger percentage of their operating costs through copayments than does VA because more veterans are required to make copayments and veterans who contribute toward the cost of their care typically must make larger copayments. State homes also provide safeguards to help prevent copayments from impoverishing a veteran's spouse or dependent children and to help ensure that veterans capable of returning home retain enough financial resources to return to the community.

**Disability Benefits:
Selected Data on Military and VA Recipients**

GAO/HRD-92-106, Aug. 13 (19 pages).

This report provides information on the Defense Department's (DOD) military disability retirement and the Department of Veterans Affairs (VA) disability compensation programs. GAO discusses (1) military retirements over time, (2) the ratio of officers to enlistees receiving military retirements benefits, (3) the number of years of service military personnel have when they begin disability retirement, and (4) the number of military disability retirees also receiving VA disability compensation.

Testimony

Health Care: Demonstration Project Concerning Future Structure of Veterans' Health Program, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-92-53, Aug. 11 (14 pages).

Under various health care reform proposals, including employer-mandated and universal health insurance, demand for Department of Veterans Affairs (VA) inpatient care could drop dramatically. Congress, concerned about the resulting excess capacity at VA facilities, is considering legislation—H.R. 5263—that would authorize up to seven VA facilities with excess capacity to treat the Medicare-eligible dependents and survivors of military retirees. Medicare-eligible veterans now being denied care at facilities would also be able to participate in the demonstration project. The facilities would be allowed to obtain and retain reimbursements for covered services provided to program participants by Medicare. GAO agrees with the demonstration project's objective of testing the cost-effectiveness of such interagency sharing, but GAO believes that VA

should proceed cautiously to ensure that the project's goals can be achieved.



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