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# Reports and Testimony: December 1992

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## Highlights

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### Pension Plans

*The federal government's exposure to unfunded liabilities in private pension plans is much larger than plans have indicated on their annual reports to IRS; plan sponsors with financial problems know that the government will protect the guaranteed pensions of their workers no matter how large the unfunded liabilities in their plans. Page 11.*

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### Aviation Safety

*The Federal Aviation Administration has issued tougher regulations governing airlines' ground operations during icy conditions, but the new rules have two weaknesses: they allow most aircraft to be checked for ice from inside through windows, rather than from outside, and they exempt commuter aircraft. Page 32.*

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### Aero-Space Plane

*A joint Pentagon/NASA technology development program to provide the basis for future hypersonic (25 times the speed of sound) flight vehicles is again at a crossroad: projected costs are increasing, technical progress is behind schedule, and funds are insufficient to implement the program as planned. Page 28.*

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**Notice:** This is a reprint of a GAO report.

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# Reports and Testimony: December 1992

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## Agriculture and Food

### **Rural Credit: Availability of Credit for Agriculture, Rural Development, and Infrastructure**

GAO/RCED-93-27, Nov. 25 (35 pages).

In response to congressional concerns about the deterioration of rural communities, GAO looked into the availability of credit in rural America in four states—Kansas, Mississippi, Montana, and Virginia. This report examines (1) the extent to which adequate credit exists to fund agricultural production; rural development, which for the purposes of this report is limited to the needs of businesses; and the development of the rural infrastructure (including roads, bridges, and water systems) and (2) the extent to which rural lending institutions are investing in their communities as opposed to more distant areas.

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## Business, Industry, and Consumers

### **Small Business: Nonprofit Agencies Employing the Disabled Seldom Seek Set-Aside Contracts**

GAO/RCED-93-44, Nov. 27 (12 pages).

Public or private nonprofit organizations for the handicapped—that is, nonprofit agencies employing persons with disabilities—have been authorized to compete for small business set-aside contracts awarded by federal agencies between 1989 and 1993. These nonprofit groups sponsor rehabilitation programs for the disabled or provide them with employment. The latest available data, however, show that these nonprofit groups received less than one percent of all such federal contracts set aside during a 2-1/2-year period. Furthermore, the total value of these contracts was lower than the ceilings set by law. The nonprofit agencies claim that they are not bidding more on set-aside contracts because (1) legislation prohibits nonprofit agencies from supplying a good or service on a permanent, noncompetitive basis once the product or service has been awarded under a competitive set-aside contract and (2) they are unaware that they may bid on set-aside contracts or do not know how to do so. Efforts to boost nonprofit agencies' participation in set-aside contracts have been limited. Congress may want to consider (1) designating a federal agency to counsel nonprofit groups about bidding on set-aside contracts and (2) allowing products and services provided under the set-aside contracts to be added to the list of items that nonprofit

agencies provide to federal agencies on a permanent, noncompetitive basis.

**Insurance Regulation:  
Weak Oversight Allowed Executive Life to Report Inflated  
Bond Values**

GAO/GGD-93-35, Dec. 9 (40 pages).

The ability of the Securities Valuation Office (svo) to support state regulators in monitoring insurer solvency appears doubtful. svo's bond valuation criteria focus narrowly on bond default—defined simply as nonpayment of interest—and neglect other factors, such as difficulties an issuer experiences generating cash to pay interest, that may indicate whether a bond is impaired for generally accepted accounting principles reporting purposes. Further, svo does not obtain current or complete information to evaluate an insurer's bond holding and has not provided its analysts with clear standards for assigning ratings and documenting their work. As a result, svo has assigned inflated ratings to a number of bonds held by Executive Life Insurance Co., thus overstating the firm's financial strength. A gap exists in enforcing the requirement that insurers use svo valuations to prepare statutory financial reports. svo does not verify that insurers obtain an svo rating for all bonds that they hold—regulators are responsible for this task. Because regulators only check infrequently for improper bond valuations, Executive Life was able to hide its bond loss exposure by supplying its own inflated rating for bonds not rated by svo and by misreporting svo ratings in its statutory financial statements. Moreover, svo lacks enough statutory reserves to cushion against bond losses.

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## Civil Rights

**Health and Human Services:  
Update on Hispanic Representation in HHS Region VIII**

GAO/GGD-93-47FS, Dec. 30 (14 pages).

In a November 1990 report (GAO/HRD-91-6), GAO noted that the representation of Hispanics in the Department of Health and Human Services (HHS) region VIII work force exceeded the overall Hispanic representation in the Rocky Mountain civilian labor force. This fact sheet updates that report with information on Hispanic representation in region VIII based on the 1990 census.

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## Economic Development

### **Rural Development: Rural America Faces Many Challenges**

GAO/RCED-93-35, Nov. 20 (126 pages).

Although many people still view small-town America as an idyllic place to live, the economic underpinnings of this way of life—farming and natural-resource based industries—have either undergone major restructuring or are in decline. As a result, many of these communities are not thriving, and residents must often leave to find work. A GAO-sponsored symposium of experts working on issues affecting rural America highlighted a variety of approaches to overcome inherent rural characteristics that impede growth and to address rapidly changing economic conditions. This report presents the conclusions of that group, which included local and regional leaders; financial experts; representatives of nonprofit associations; and representatives from federal, state, and local government.

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## Financial Management

### **Financial Systems: Weaknesses Impeded Initiatives to Reduce Air Force Operations and Support Costs**

GAO/NSIAD-93-70, Dec. 1 (49 pages).

The Air Force lacks accounting systems to account for all operations and support costs connected with fighter wings, its main aircraft unit. Existing Air Force data collection systems fall short in accumulating information that is sufficiently accurate, timely, and comprehensive. The Air Force's efforts to better manage the cost of aviation fuel, reparable parts, and depot maintenance and repair are being hurt by the lack of accurate and complete cost information. Although fighter wings may end up saving money, the systems do not give wing commanders the detailed information that they need to make informed decisions on parts repair and fuel conservation, nor do they provide the Air Force with the data needed to evaluate the results of the fuel savings test. The financial systems supporting F-15 repair and modifications at the Warner Robins Air Logistics Center do not contain accurate cost information, mainly because of internal control weaknesses, a situation that hinders the F-15 manager from adequately overseeing costs and repairs.

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**Federal Research:  
Assessment of the Financial Audit for SEMATECH's Activities  
in 1991**

GAO/RCED-93-50, Dec. 11 (12 pages).

GAO found no indication during its review that the opinion of Price Waterhouse on SEMATECH's 1991 financial statements, its report on internal control structure, or its report on compliance with laws and regulations cannot be relied upon. In its report on SEMATECH's 1990 financial statements, GAO recommended that the Pentagon require funds to be disbursed through a letter of credit instead of being disbursed in advance through quarterly payments to SEMATECH. The Defense Department has agreed to modify its procedure in January 1993, when it revises the grant agreement, by providing advance payments to SEMATECH on a monthly basis. Five member companies acknowledge including part of their SEMATECH contributions as overhead costs on government contracts that they held. Although allowable under government cost accounting principles, reimbursing members' contributions through overhead serves indirectly to increase the government's overall support for SEMATECH. GAO notes, however, that even if the amounts included as overhead were added to federal and state government contributions, member companies would still have paid their required 50 percent of SEMATECH's costs.

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**Government  
Operations**

**Personnel Practices:  
Schedule C and Other Details to the Executive Office of  
the President**

GAO/GGD-93-14, Nov. 6 (36 pages).

This report looks at the detailing of employees at Executive Branch agencies to the White House. Specifically, GAO determined (1) agency compliance with laws requiring that agencies certify that a Schedule C position is not being created solely to detail an employee to the White House; (2) compliance with reimbursement requirements for details to the White House lasting more than 180 days in a fiscal year; (3) the extent to which Schedule C detailees to the White House have converted to career positions there since January 1989; and (4) whether any other executive branch agencies performed duties at the White House.

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**Federal Register:  
Better Electronic Technology Planning Could Improve Production  
and Dissemination**

GAO/GGD-93-5, Nov. 10 (45 pages).

The Code of Federal Regulations has been in electronic format for more than a decade, but most documents submitted for inclusion in the daily Federal Register are still paper processed before being sent to the Government Printing Office (GPO) for final composition. Agency submission of documents in electronic format could cut GPO composition costs and improve operations, but agencies have not widely adopted automation because they believe it is not cost effective. Plans for agencies to use telecommunications when submitting documents to the Office of the Federal Register for publication have also met with limited success. Government dissemination of the Federal Register in electronic format is similarly limited, and little is known about user interest in different electronic publication formats. The Administrative Committee of the Federal Register has tried to boost the use of information technologies but has failed to provide continuing guidance and support for automation pilot programs at GPO and the Federal Register. At its last meeting in June 1992, the committee directed that new initiatives be developed. However, it neither provided a clearly articulated strategic plan describing how Federal Register publications will be produced and distributed in the future nor discussed the technologies needed to support these operations.

**Employee Drug Testing:  
Opportunities Exist to Lower Drug-Testing Program Costs**

GAO/GGD-93-13, Nov. 23 (18 pages).

In increasing the cost effectiveness of federal employee drug testing, the government might want to study those agencies that have opted to collect drug-testing specimens using agency personnel rather than contractors. Other cost-saving opportunities would require modifications to Department of Health and Human Services (HHS) guidelines on the (1) current level of blind proficiency samples as part of agencies' quality control programs and (2) submission of negative test results to medical review officers. Although both requirements may have been appropriate when the guidelines were first published in 1988, circumstances have changed, and it is reasonable to consider testing changes at this point. The frequency of drug testing—the percentage of individuals subject to drug

testing who are actually tested each year—can also be studied. GAO found that agencies' testing frequencies vary widely, ranging from four to 100 percent of the employee population subject to testing. GAO believes that it is reasonable for agencies to review their selected test frequencies with a view toward reducing them where appropriate. In their oversight roles over federal agency drug-testing programs, HHS and the Office of National Drug Control Policy should take the lead in reviewing these and other possible cost-savings measures.

**Federal Health Benefits Program:  
Analysis of Contingency and Special Reserves**

GAO/GGD-93-26, Dec. 4 (26 pages).

GAO does not believe it would be prudent for the financial management of the Federal Employees Health Benefits Program (FEHBP) to implement the proposal once made by the Office of Personnel Management (OPM) to pool and reduce the experience-rated plan options' combined contingency and special reserves. Although the proposed changes could yield a onetime reduction in the calendar-year premiums paid by government agencies and enrollees, they could also jeopardize the ability of FEHBP's combined contingency and special reserves to (1) cover the experience-rated plan options' unexpected costs; (2) stabilize premium and health benefits; and (3) minimize the possibility of a financial loss for plan sponsors, underwriters, enrollees, and the federal government. GAO is concerned that a reserve balance equal to one-months' benefits and administrative expenses might not always be adequate to cover unexpected costs. Because past balances have often fluctuated by large amounts in relation to reserve goals and targets, OPM could find it hard to maintain the balance at or above the proposed level. Thus, if the balance continued to fluctuate as much after the combined reserve balance was reduced, FEHBP's financial soundness and stability could be endangered.

**Federal Personnel Management:  
OPM Reliance on Agency Oversight of Personnel System Not  
Fully Justified**

GAO/GGD-93-24, Dec. 8 (71 pages).

Because of reduced staff and resources, the Office of Personnel Management (OPM) has, for the last decade, been depending on federal agencies to shoulder much of the oversight of the civil service system.

Personnel Management Evaluations (PME)—often on-site evaluations of personnel activities at an agency to ensure compliance with applicable requirement—are the main method of oversight used by OPM and the agencies. This approach would be reasonable if appropriate PME standards existed, if all agencies did PMES regularly, and if the standards were followed. Due to weaknesses in the implementation of this approach, GAO does not believe that OPM should rely on current PME programs as heavily as it does. GAO recognizes that agency budget squeezes may limit the frequency and staffing of PMES. GAO also realizes that OPM may be lacking a practical way of forcing agencies to do PMES or to follow standards that are issued. Yet PMES can be a useful source of information on the internal controls in place in agency personnel programs and, under certain conditions, can be used as alternative internal control reviews. Until recently, OPM saw no connection between PME programs and internal control programs. OPM needs to exercise greater leadership to strengthen PME programs if the risks of improper personnel actions—such as questionable appointments or promotions—are to be avoided.

**NOAA Aircraft Operations:  
Cost Analysis Does Not Support Decision to Relocate**

GAO/GGD-93-41, Dec. 21 (18 pages).

The National Oceanic and Atmospheric Administration's (NOAA) desire to relocate its Aircraft Operations Center to better facilities at a government-owned installation is understandable. NOAA's cost analysis of the move from Miami to MacDill Air Force Base in Tampa, however, was neither thorough nor adequately supported by facts. NOAA (1) failed to include the cost of running the MacDill airfield after the Air Force closes it in 1994 and (2) lacked support for estimated rental costs at commercial airports considered as alternative locations. Because responsibility for running the MacDill airbase beyond 1994 remains murky, operational costs there are unknown. NOAA will likely be liable for some of the airfield's operating costs, which could exceed the costs of leasing space elsewhere. From a cost perspective, NOAA's decision to relocate was risky and potentially premature, mainly because of the cost uncertainties.

**Political Appointees:  
Selected Appointees' Views of Their Federal Work Environment**

GAO/GGD-93-28FS, Dec. 28 (37 pages).

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To obtain the views of Senate-confirmed presidential appointees on their federal service, GAO surveyed more than 500 senior-level, nonjudicial political appointees in the executive branch. This report provides information on their personal backgrounds, the orientation programs they attended upon being appointed, how they were recruited, relations with other executives, accountability, and job satisfaction.

**General Services Administration:  
Increased Direct Delivery of Supplies Could Save Millions**

GAO/GGD-93-32, Dec. 28 (45 pages).

Millions could be saved each year if the General Services Administration (GSA) had suppliers ship more orders directly to customer agencies. Customer agencies could save because GSA's processing fee for directly delivered orders is much less than for orders filled from its depots. Taxpayers could save if GSA reduced depot inventory and operations. GAO estimates that, for a one-year period ending February 1991, only seven percent of GSA's nearly \$1 billion in projected total sales was directly delivered. Had GSA maximized direct deliveries on its total sales, it could have saved as much as \$107 million annually, in addition to a one-time saving of as much as \$240 million through a reduction in inventory investment. Further, depot operations could be significantly cut because the remaining sales would not sustain existing operations. GSA could then further streamline its operations because these remaining sales are for millions of low-value, low-quantity orders that may be uneconomical and can be bought locally. GAO questions whether GSA should continue to run its depots at current levels, suggesting instead that GSA reduce its operational role and become more of a central supply management agency that provides governmentwide leadership and sets policy.

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Testimony

Federal Contracting: Cost-effective Contract Management Requires Sustained Commitment, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-93-2, Dec. 3 (28 pages).

Loose administration of government contracts has resulted in contractors getting bonuses for mediocre performance and billing agencies for millions of dollars in unallowable or questionable costs, such as employee parties, tickets to sporting events, and liquor. Civilian agencies

now spend about \$55 billion per year on contracts. Although contractors can play a key role in delivering needed services, once contracts are awarded federal agencies often give short shrift to overseeing the quality and cost of completed work. More thorough and timely contract auditing could help minimize the government's vulnerability to waste, fraud, and abuse. Currently, a significant backlog exists of audits of costs incurred by contractors. Civilian agencies could also beef up their audit effectiveness by clarifying which agency has responsibility for contractor audits, clearly spelling out unallowable and questionable costs, and making clear the government's position on the use of contractor discounts. At the core of contracting problems, GAO has discovered a lack of senior management attention to agency contracting. In some cases, senior officials have remained blissfully ignorant of waste and abuse because agencies have no way of flagging contracting problems. In other instances, senior officials have neither made managers accountable for effective contract administration nor committed themselves to correcting contracting problems that have surfaced.

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## Health

### **Medicare: Millions in End-Stage Renal Disease Expenditures Shifted to Employer Health Plans**

GAO/HRD-93-31, Dec. 31 (49 pages).

Recent legislation changed Medicare coverage for some beneficiaries with kidney failure, known as end-stage renal disease. For these individuals, the law extended the period of time during which employer-provided group health plans would be expected to pay medical expenses before Medicare. This report discusses the (1) number and geographical distribution of beneficiaries affected by the extension, (2) amount of annual Medicare savings achieved, and (3) effect of the extension of access to employment and employment-based health insurance.

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## Housing

### **Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1991**

GAO/RCED-93-39, Dec. 21 (100 pages).

This report provides a legislative history of the McKinney Act; a description of each McKinney Act program; and the amount of money

provided under each program, by state, for fiscal year 1991. It also briefly describes newly authorized assistance programs for the homeless and significant changes to existing McKinney Act programs. Overall, about \$2.4 billion was earmarked during fiscal year 1987-91 for federal programs to help the homeless; 95 percent of the money went for food, shelter, and health care; the rest went for education and job training.

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## Income Security

### **Pension Plans: Hidden Liabilities Increase Claims Against Government Insurance Program**

GAO/HRD-93-7, Dec. 30 (52 pages).

The federal government's exposure to unfunded liabilities in private pension plans is much larger than the plans have indicated on their annual reports to the Internal Revenue Service. When a pension plan terminates with insufficient assets, the Pension Benefit Guaranty Corporation (PBGC) is likely to absorb unfunded liabilities considerably greater than the plan reported. PBGC has few tools to control its exposure from hidden liabilities. Plan sponsors with financial difficulties know that PBGC will protect the guaranteed pensions of their workers no matter how large the unfunded liabilities in their plans. Financially troubled sponsors sometimes take actions that increase the burden on PBGC, such as raising benefits in lieu of increasing wages or failing to contribute to their plans. Although PBGC could benefit from additional tools to control its hidden liabilities, such tools impose costs on plan participants, plan sponsors, or the federal government.

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## Information Management

### **Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature**

GAO/IMTEC-93-6, Nov. 4 (28 pages).

The Department of Veterans Affairs' desire to invest in new information technology to improve service to veterans is laudable. Yet the plan by the Veterans Benefit Administration to proceed in acquiring \$94 million in computer hardware and software, while at the same time grappling with basic changes in its business processes, is clearly premature for several reasons. First, it does not yet fully understand what managerial,

operational, or technical problems need to be corrected. Second, effective leadership—capable of bringing together program managers and information technology specialists to reach consensus on problems and solutions—is lacking. Third, the agency's Chief Information Resources Officer does not have the authority to correct identified problems. To invest people, time, and money in acquiring information technology before fully understanding what the Veterans Benefit Administration's future business operation will look like risks a system that may not work as intended. Delaying further modernization procurement until the Veterans Benefit Administration has a clearer idea of where it is headed is the prudent, preferable alternative.

**Air Force ADP:  
Lax Contract Oversight Led to Waste and Reduced Competition**

GAO/IMTEC-93-3, Nov. 19 (30 pages).

In handling contracts for data processing services at more than 120 bases worldwide, Gunter Air Force Base in Alabama has shown a pattern of mismanagement and inappropriate actions that has led to the purchase of millions of dollars in unneeded equipment and services. These contracts were valued at more than \$8.6 billion as of June 1992. Gunter could not control nearly \$1 billion in contracts because it failed to establish an effective way to account for orders, deliveries, and payments. Additionally, it inappropriately limited competition by purchasing equipment and services that were not within the scope of the contract but should have been competed. Gunter wasted millions of dollars by buying equipment that was not justified either by valid user requirements or by convincing cost/benefit analyses. The Office of the Judge Advocate General advised against these actions, but Gunter officials proceeded anyway. The Air Force further limited competition in awarding a \$612 million follow-on contract. It improperly aggregated sole-source and competitive requirements and awarded a sole-source contract to UNISYS for products that in some cases could have been procured competitively. Further, Gunter will probably be forced to award another sole-source contract to UNISYS when the Standard Base Level Computing contract ends in 1997 unless it takes prompt action to create a competitive environment.

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**Pesticides:  
Information Systems Improvements Essential for EPA's  
Reregistration Efforts**

GAO/IMTEC-93-5, Nov. 23 (12 pages).

After more than three years of effort and \$14 million spent on computer systems, the Environmental Protection Agency (EPA) still cannot easily assemble accurate, reliable, and complete information on pesticides being reregistered. This has complicated the already difficult task the agency faces in meeting pesticide reregistration deadlines mandated by Congress. EPA's information management problems arise from poor systems planning and poor data management. Confronting an overload of reregistration information and short deadlines, EPA adopted a fast track strategy for developing its new reregistration systems—without first adequately setting program management requirements or defining systems requirements. Furthermore, the consistency, accuracy, and completeness of the information within the new systems is also jeopardized because EPA has not implemented procedures to ensure data consistency and quality. The upshot is that the new systems fall short in meeting user's needs; compiling information about pesticides undergoing reregistrations remains a difficult, labor-intensive, and time-consuming job.

**Composite Health Care System:  
Outpatient Capability Is Nearly Ready for Worldwide Deployment**

GAO/IMTEC-93-11, Dec. 15 (20 pages).

The Defense Department's (DOD) development of the Composite Health Care System—an automated approach to patient records intended for use in more than 600 military health care facilities around the globe—is progressing, and the problems it is encountering are to be expected when developing and deploying a system of this size and complexity. To begin worldwide deployment of the outpatient components at this time, however, would be a mistake—one that could lead to later problems and pose greater risks to patient safety. Although the system shows promise for enhancing DOD's ability to manage patient data, improve the quality of care, and cut costs, several major issues still need to be addressed. DOD has not yet completed an operational test and evaluation of all essential system capabilities or done a credible cost/benefit analysis of the system. In addition, worldwide deployment of the system will be difficult, even

after these two issues have been addressed, because DOD has not presented an adequate plan for deploying the system.

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## International Affairs

### **International Trade: Implementation of the U.S.-Canada Free Trade Agreement**

GAO/GGD-93-21, Oct. 27 (45 pages).

Because provisions of the four-year-old U.S.-Canada Free Trade Agreement are complex and long term, the agreement's precise effect on U.S. business cannot yet be determined, but duties have been already eliminated on some products and are being phased out on others, and trade has risen by more than 15 percent. Government agencies in the United States and Canada have undertaken steps to implement the agreement and have often cooperated in helping businesses learn about its provisions. Problems have included border delays and difficulties in complying with Canadian product standards and technical requirements. Some U.S. businesses have encountered problems in complying with the agreement's rules of origin and in completing the required Exporter's Certificate of Origin. Efforts are under way to improve federal coordination in promoting trade, and some interest exists in establishing a single, centralized source of information on and assistance with the agreement. Although the Customs Service is coordinating implementation of the agreement and related Customs commercial activities along the northern border, the agency has decided to assign the project limited responsibilities and staff.

### **East European Energy: Prospects for Improvement in Albania's Energy Sector**

GAO/NSIAD-93-27, Nov. 4 (49 pages).

Albania, by far the poorest nation in Europe, has recently emerged from a long period of Communist rule and international isolation to embrace democratic and free market principles. The reform-oriented government elected in March 1992 confronts an economy in shambles and desperately needs foreign investment to recover. Albania's energy sector can play a key role in speeding the country's economic recovery. This report discusses the (1) trends in and problems related to Albania's energy production, imports, exports, and use; (2) plans by Albania to address its energy problems; (3) role of foreign trade and investment in Albania's

energy sector and factors that discourage them; and (4) U.S. government and international organizations' efforts to help Albania's energy sector and improve its business climate.

**Persian Gulf:  
U.S. Business Participation in the Reconstruction of Kuwait**

GAO/NSIAD-93-69, Nov. 18 (15 pages).

The Department of Commerce's failure to meet the June 1992 reporting deadline on the extent of contracts awarded U.S. companies for rebuilding Kuwait was due to several factors. First, the President did not assign responsibility for the report until after it was due. Second, after Commerce prepared the report, it took several months to complete the interagency review process that, in turn, required Commerce to update the information, further delaying publication. According to the first Commerce report, the Kuwaiti government awarded U.S. business more than \$2 billion in contracts in 1991—about half of all reconstruction business. The second report said that the U.S. share of reconstruction contracting through July 1992 topped \$4 billion—also about half of reconstruction contracts. In preparing the reports, Commerce faced several constraints, including (1) incomplete information from the Kuwaiti government needed to identify the dollar values for contracts Kuwait awarded to foreign companies, (2) the reluctance of the U.S. and Kuwaiti private sectors to provide information, and (3) the lack of a central source for this information. Commerce was able to obtain more complete information from the Corps of Engineers. To meet the urgently needed emergency services and clean-up in Kuwait, the Corps awarded restoration contracts without using full and open competition. Also, the Kuwaiti government told the Corps to award several contracts to preferred firms. As a result, the Corps awarded about 87 percent of its prime contracts with less than full and open competition.

**Nigerian Oil:  
Issues Affecting U.S. Investment in the Petroleum Sector**

GAO/GGD-93-16, Nov. 20 (22 pages).

Uncertainties associated with Middle East oil production and the rising U.S. demand for foreign oil have spurred the search for dependable sources of oil outside the Middle East. The United States is Nigeria's largest crude oil export market, receiving more than half of that African

nation's crude oil exports in 1991. This report provides information on the (1) recent trends in Nigeria's oil production, exports, and reserves; (2) primary factors affecting Nigeria's ability to meet its 1990-95 production capacity and reserve goals; (3) petroleum-related investment reforms in Nigeria and how U.S. oil companies have responded to them; (4) factors discouraging or encouraging U.S. investment in Nigeria's petroleum sector; and (5) U.S. and international organization efforts to boost trade with and investment in Nigeria's petroleum sector.

**Foreign Assistance:**

**AID's Private Sector Assistance Program at a Crossroads**

GAO/NSIAD-93-55, Dec. 11 (48 pages).

The Agency for International Development (AID) has slowly come to view private-sector development in the Third World as a high priority and now devotes significant resources to this goal. AID's ability to focus on this area is constrained by several factors, however, including competing priorities and a lack of staff expertise. AID's private-sector assistance has had mixed success, with best results obtained in supportive environments when enough resources and appropriate expertise were applied. AID has had difficulty creating self-sustaining institutions to deliver services after assistance ends. The future role of the agency in this area is uncertain. The nature and extent of AID's role, if any, in directly promoting U.S. trade and investment relations with developing countries must be defined relative to its other objectives and to other agencies' responsibilities.

**El Salvador:**

**Efforts to Satisfy National Civilian Police Equipment Needs**

GAO/NSIAD-93-100BR, Dec. 15 (13 pages).

The United States needs to continue to assist the government of El Salvador to (1) develop a realistic plan for equipping and operating the National Civilian Police, (2) ensure that the National Civilian Police receive the appropriate priority relative to other Salvadoran government activities, and (3) identify and try to overcome impediments discouraging international donors from providing the help promised to El Salvador in March 1992. The U.S. Military Group in El Salvador also needs to work with the Salvadoran military and national police to (1) locate the 297 hand-held radios and 23 pickup trucks given to the Salvadoran public security forces but now missing from official inventories and (2) retrieve

the 876 9-mm semiautomatic pistols that are no longer in the hands of the national police.

**Export Finance:  
The Role of the U.S. Export-Import Bank**

GAO/GGD-93-39, Dec. 23 (80 pages).

As exports have grown in importance to the U.S. economy, the availability of export finance has become a major issue. One of the principal ways the government helps with export finance is by having the U.S. Export-Import Bank underwrite export transactions. With increasing demands for its services and a limited delivery network of its own, however, Eximbank must rely on other federal, state, and local agencies or financial institutions to provide its services to exporters. This report discusses (1) the delivery of Eximbank services, particularly to small businesses; (2) the administration of Eximbank's export credit insurance program; (3) credit reform and Eximbank's country risk assessment system; (4) the use of tied aid; and (5) Eximbank's coordination with other agencies.

**Former Soviet Union:  
Assistance by the United States and Other Donors**

GAO/NSIAD-93-101, Dec. 30 (12 pages).

The republics of the former Soviet Union need massive amounts of international assistance to restructure the remnants of a centrally planned economy into independent market economies. This report, one in a series on U.S. aid to Central and Eastern European nations and the former Soviet Union, discusses assistance to the republics from international donors, in particular the United States. GAO (1) identifies the extent and nature of assistance provided, (2) looks at how the United States intends to apply lessons learned from its assistance program to Central and Eastern Europe, and (3) assesses the level of coordination among donors.

**Export Promotion:  
Federal Efforts to Increase Exports of Renewable Energy  
Technologies**

GAO/NSIAD-93-29, Dec. 30 (44 pages).

Renewable energy technologies generate electricity or heat through the use of renewable resources, such as sunlight, wind, underground steam and heat, and hydropower. Congress created the Committee on Renewable Energy, Commerce and Trade in 1984 to gather and disseminate information to U.S. manufacturers of renewable energy technologies on potential overseas business opportunities; organize trade missions, fairs, and conferences; and coordinate export assistance programs. This report (1) discusses what activities the committee has undertaken to increase U.S. exports of these technologies; (2) describes guidelines recommended by the committee for financing such exports, including simplifying the application process for seeking export assistance; (3) provides information on how the committee suggested specific markets in the Caribbean and Pacific and its identification of future export markets; and (4) discusses how the committee followed through on trade opportunities in certain countries.

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## Justice and Law Enforcement

### **Office of Justice Programs: Discretionary Grants Reauthorization**

GAO/GGD-93-23, Nov. 20 (21 pages).

Between 1987 and 1991, discretionary grants programs at the Office of Justice Programs—part of the Justice Department—spent about \$500 million to underwrite research and demonstration projects run by public and private groups fighting crime or drug abuse. GAO reviewed the discretionary grants programs at four of the five Office of Justice Programs bureaus: the Bureau of Justice Assistance, the Bureau of Justice Statistics, the National Institute of Justice, and the Office for Victims of Crime. This report discusses (1) whether projects funded through the discretionary grants programs were awarded competitively and what proportion of each bureau's funds competed each year, (2) whether discretionary grants programs are systematically evaluated to determine which ones are useful and what works, and (3) how structural and management issues affect the discretionary grants programs.

### **ATF Firearms Inspections: Use of Results to Improve Inspection Targeting Has Been Limited**

GAO/GGD-93-30BR, Dec. 11 (72 pages).

GAO reviewed the firearms compliance inspection activities of the Bureau of Alcohol, Tobacco and Firearms. This briefing report discusses (1) what the Bureau's strategies are for inspecting gun dealer and pawnbroker licensees and applicants, (2) how the Bureau targets dealer and pawnbroker licensees for inspection, (3) how ATF targets license applicants for inspection, and (4) how the Bureau uses its inspection results to improve its targeting process.

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## National Defense

### **Navy Acquisition: AN/BSY-1 Combat System Operational Evaluation**

GAO/NSIAD-93-81, Nov. 19 (13 pages).

Between November 1990 and May 1991, the Navy assessed the AN-BSY-1 combat system, which is meant to assist in combat operations in antisubmarine, antisurface, strike, mine, and other warfare missions. Although GAO does not disagree with the resulting recommendation that AN/BSY-1 be approved for fleet use, it does note that two AN/BSY-1 critical operational issues—reliability and maintainability—were unsatisfactory and that limitations resulted in incomplete demonstration of two critical operational issues—weapon deployment and navigation—and unrealistic operational testing. GAO could not reach a conclusion on the independence of the operational evaluation. Records show that AN/BSY-1 program and contractor personnel were on board the submarine on days when it was being tested. The Navy could furnish no documentation that these personnel left the submarine before AN/BSY-1 operational evaluation began. On the basis of limited observations, the Navy determined that the AN/BSY-1 operational evaluation was adequate. Because the number of required on-site visits has yet to be established, however, GAO could not assess how effective the Navy carried out its responsibilities.

### **Contract Pricing: Unallowable Costs Charged to Defense Contracts**

GAO/NSIAD-93-79, Nov. 20 (15 pages).

In reviewing overhead costs submitted by six defense contractors, GAO discovered that contractors did not identify and exclude all unallowable costs, as required. For example, in addition to nearly \$1 million in costs questioned by the Defense Contract Audit Agency, GAO noted another

\$2 million in unallowable or questionable overhead costs. Federal regulations governing entertainment, employee morale and welfare, and business meeting costs are so vague that they are being interpreted broadly by some of the contractors GAO reviewed. Limited transaction testing—tracing expenditures back to supporting documentation and evaluating their allowability—of contractor overhead cost submissions by the Defense Contract Audit Agency may have also contributed to unallowable or questionable costs going unchecked. In GAO's view, transaction testing is a key step to ensuring that contractor internal controls are excluding unallowable costs from bills submitted to the Defense Department.

**Contract Pricing:  
A Low Percentage of Contractors Are Responsible for Most  
Reported Defective Pricing**

GAO/NSIAD-93-1, Nov. 24 (18 pages).

Defective pricing is a persistent problem that has caused the prices of defense contracts to be overstated by billions of dollars. The Defense Contract Audit Agency (DCAA) audited contracts totaling \$443 billion in fiscal years 1987-91 and reported \$3.67 billion in defective pricing. GAO's analysis of the DCAA data shows that defective pricing is concentrated among a small pool of contractors. For the five-year period, about six percent of the contractors audited accounted for 80 percent of the defective pricing. For fiscal years 1990-91, GAO's analysis shows that about seven percent of the contractors audited accounted for 86 percent of the defective pricing.

**Military Bases:  
Army Revised Cost Estimates for the Rock Island and Other  
Realignments to Redstone**

GAO/NSIAD-93-59FS, Nov. 23 (seven pages).

The Commission on Base Realignment and Closure recommended in July 1991 that 36 bases be closed and 43 others be moved or realigned; one of these realignments involved the Rock Island Arsenal in Illinois. The Army estimated that moving portions of the Rock Island Arsenal to Redstone Arsenal in Alabama would cost \$76.8 million, including \$38.3 million for military construction at Redstone. In light of concerns that the construction cost estimate for the move had almost doubled from

the \$38.3 million figure cited, this fact sheet reviews the Army's cost estimates.

**Navy Ships:  
Plans and Anticipated Liabilities to Terminate SSN-21  
Program Contracts**

GAO/NSIAD-93-32BR, Nov. 27 (18 pages).

Although final termination costs may not be known for years, the Navy's tab for ending contracts for the Seawolf nuclear submarines is significantly below the estimated cost to build the vessels. The estimated cost to build one SSN-21 class submarine tops \$2 billion, but completing several Seawolf contracts and terminating the rest is pegged at \$714 million. Ending the SSN-21 class submarine construction program with the second submarine (SSN-22) should save about \$15 billion. The Navy did not terminate all SSN-23 contracts and is going ahead with construction of a spare nuclear core, a main propulsion unit, and other components—a move that should facilitate the building of the third SSN-21 class submarine if it is approved. Congress provided about \$540 million to help preserve the industrial base for submarine construction. The Pentagon has no plans to release these funds to the Navy until a final decision is made on spending—most likely in early 1993 following the release of a Defense Department study on the shipbuilding base. Ending the SSN-21 program will likely reduce U.S. nuclear-powered submarine construction capacity and capability. Construction of nuclear submarines should be finished by the mid-1990s, and no new contracts are expected until fiscal year 1998. The declining work load for submarine builders is not sustaining their current construction capacity or capability. As a result, costs for the two SSN-21 submarines and other ships now being assembled by the two submarine shipbuilders will probably increase because of reallocating overhead costs over a smaller production base; a smaller, more senior, higher paid work force; and higher vendor costs.

**Undersea Surveillance:  
Navy Continues to Build Ships Designed for Soviet Threat**

GAO/NSIAD-93-53, Dec. 3 (40 pages).

Although the threat posed by the Soviet submarine fleet has declined dramatically of late, the Navy has not yet completed an undersea surveillance system to handle enemy submarines in shallow water—a

more probable threat scenario in the future. The Surveillance Towed Array Sensor System (SURTASS) was built to pick up sounds from Soviet submarines in deep ocean water. The Navy, however, now plans to use SURTASS to detect diesel submarines cruising in shallow water—a capability that has yet to be demonstrated through developmental and operational testing. At the same time, the Pentagon is looking into other ways to detect submarines in shallow water. The Navy currently has 19 ships equipped with SURTASS. It expects to replace 18 of these single-hulled ships with nine twin hull ships by 1998. Between fiscal years 1992 and 1998, the Navy plans to spend about \$1.2 billion on SURTASS upgrades and procurement of new SURTASS twin hulled surveillance ships.

**Information Technology:  
Comments on Navy Facility Consolidation Plan**

GAO/NSIAD-93-87, Dec. 3 (nine pages).

In July 1992, the Navy gave its Information Technology Facility consolidation plan to GAO to review. GAO concludes that the plan adequately considers the needs of Navy installations for information technology and meets the certification criteria in the fiscal year 1992 Defense Department appropriations act. The plan (1) limits duplications, achieving efficiency through reduced overhead and the transfer of mainframe computer work load onto fewer, more modern computer systems; (2) focuses on cost-effectiveness in the selection of consolidation sites; (3) will not impose hardships on military personnel as a result of transfers; and (4) will have an imperceptible impact on the economies of affected communities.

**B-2 Bomber:  
Status of Compliance With the 1992 and 1993 Defense  
Authorization Act**

GAO/NSIAD-93-46, Dec. 4 (18 pages).

Congress' keen interest in the B-2 Program is reflected in recent legislation restricting the program's use of appropriations until the Pentagon has certified that specific B-2 performance characteristics have been demonstrated. This report discusses the status of these demonstrations. The flight test program continues behind the schedule that the Air Force planned when the first aircraft was delivered and the flight test program began. The Air Force's flight schedule now extends flight tests to

August 1996 because of problems during flight testing and the late delivery of flight test aircraft. Air Force officials now say that the demonstrations will be completed in 1993; however, the subsequent certification will not be based on actual flight tests of integrated offensive and defensive avionics on a B-2 aircraft. GAO doubts whether supplemental testing in the laboratory and the flying test bed will yield solid evidence of the B-2's abilities in these critical areas. Congress' continued funding of the program has enabled the Air Force to move forward with the production of the last five aircraft. As of September 30, 1992, these planes had not entered the final stages of assembly.

**Navy Maintenance:  
Cost and Schedule Performance at San Diego and Long Beach  
Shipyards**

GAO/NSIAD-93-85, Dec. 9 (six pages).

Cost growth and schedule overruns at the San Diego and Long Beach shipyards were quite similar during fiscal years 1989-91. The cost growth averaged about 30 percent in both areas. In San Diego, cost growth affected 84 of 94 ships, and schedule overruns occurred on 47 of 94 ships. In Long Beach, cost growth affected 31 of 33 ships and schedule overruns occurred on 19 of 33 ships. At the Long Beach Shipyard, cost growth affected eight of 23 ships and schedule overruns occurred on 10 of 23 ships. Overall, there was almost no difference between the government cost estimates at the start of repair and the actual costs at completion. This is because the government estimate (1) generally includes a 10- to 15-percent growth factor and (2) is an agreed upon price negotiated by the shipyard and the Navy before work is started.

**National Guard:  
Using the Army's Supply System Will Reduce the Guard's  
Inventory Investment**

GAO/NSIAD-93-25, Dec. 9 (48 pages).

To support its units, the Army National Guard maintains inventories of repair parts and other supplies at 54 locations throughout the 50 states, the District of Columbia, and U.S. territories. Concerns have been raised that the National Guard's supply system may be duplicating supply functions already being performed by the Army. GAO found that the National Guard and the Army could both use the same wholesale supply system, thereby

reducing Guard inventory levels without harming supply responsiveness. GAO also found that the National Guard's system for requisitioning inventory in peacetime is not the same one used during mobilization. During mobilization for Operations Desert Shield and Desert Storm, some Guard units encountered requisitioning problems because units lacked training on and experience with the Army's Unit Level Logistics System, the automated requisitioning system they are expected to use when mobilized.

**DOD Budget:  
Controls Needed Over Inflation Dividends**

GAO/NSIAD-93-62BR, Dec. 14 (13 pages).

This briefing report discusses the Defense Department's (DOD) key management controls over excess funds that have become available because actual inflation has been less than estimated. DOD has overestimated the funds needed for inflation in fiscal years 1992 and 1993 by more than \$3.6 billion. On the basis of the Office of Management and Budget's latest economic assumption, DOD now projects inflation dividends of \$2.8 billion from fiscal year 1992 appropriations and \$837 million from the funds it requested for fiscal year 1993. GAO believes that if DOD were to improve monitoring of funding needs and periodically report on the impact of changing inflation rates, Congress would have the information needed to adjust for inflation dividends such as those projected for fiscal years 1992 and 1993.

**Army Force Structure:  
Future Reserve Roles Shaped by New Strategy, Base Force  
Mandates, and Gulf War**

GAO/NSIAD-93-80, Dec. 15 (65 pages).

In response to rapid geopolitical changes around the globe, the Army plans to downsize to a level not seen since before the Korean War. GAO reviewed the Army's planned force reductions and the roles that will be assigned to Army Reserve and National Guard forces. Specifically, this report discusses the factors influencing the Army's decisions on future reserve roles, rationale behind its planned reserve force reductions, and opportunities to more effectively use the reserves in the smaller force of the future.

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**Public Works Consolidation:  
Jacksonville Naval Public Works Consolidation**

GAO/NSIAD-93-76FS, Dec. 15 (five pages).

The Navy plans to consolidate public works departments at three of its facilities in the Jacksonville, Florida, area—Mayport Naval Station, Jacksonville Naval Air Station, and Cecil Field Naval Air Station. The new public works center in Jacksonville will provide centralized planning and management for public works, public utilities, public housing maintenance, transportation support, engineering services, shore facilities planning, and corresponding logistical support. This fact sheet provides information on the (1) cost of public work operations before and after consolidation, (2) changes to authorized personnel levels and the impact of consolidation on employee relocation, and (3) cost of renovating public office space at Jacksonville Naval Air Station to accommodate the new center.

**Defense Acquisition:  
Oversight of Special Access Programs Has Increased**

GAO/NSIAD-93-78, Dec. 21 (13 pages).

This is an unclassified summary of a recent classified GAO report on oversight policies and practices at Defense Department special access acquisition programs. These programs—also known as “black programs”—are highly secret projects with tightly controlled access and stringent security measures beyond those of standard classified programs. Beginning in the mid-1980s, Congress repeatedly voiced concerns about the growing number of special access programs and the Pentagon’s refusal to provide information Congress needed to effectively oversee these programs. In a 1989 report, GAO noted a trend toward increased oversight and centralization of oversight of special access programs within the Defense Department (DOD)—a trend that continues today. As a result of congressional and other external pressures, DOD has taken additional steps to bolster and centralize oversight of special access programs. The DOD Inspector General and the military services’ audit agencies and inspectors general have also increased their oversight of these programs.

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**Arms Control:  
U.S. and International Efforts to Ban Biological Weapons**

GAO/NSIAD-93-113, Dec. 23 (67 pages).

The United States, unlike most members of the Biological Weapons Convention, opposes a verification mechanism to curb the spread of biological weapons, but indications exist that some obstacles to verification may be worked out over time. So far the convention has been ineffective in stopping the spread of biological weapons around the globe. Twenty years ago, four countries were suspected of developing such weapons; today, at least 10 countries fit into that category, some of which are members of the Convention. About one-third of the world's nations are not yet participating, and attempts at recruitment have been unsuccessful because critical Middle East countries refuse to join. Efforts to create a verification regime have also met with little success, mainly because the United States and some other countries oppose an intrusive inspection regime. In addition, proposed voluntary exchange of biological research and vaccine information has also fallen short because most members have not provided the requested information and some submissions have been incomplete. The United States has actively pursued an expansion and refinement of its export controls and created an adequate mechanism to coordinate export licensing for biological organisms, toxins, and related equipment. These items, however, are widely available on the world market because Germany also maintains comprehensive export controls on them. Although the Australia group members recently agreed to establish national export controls on such items, many biological weapons items will still be available on the world market unless the group's membership is expanded. For the Convention to be effective, some kind of verification regime may be needed. The arrangement on biological site visits between the United States, the United Kingdom, and Russia as well as an ongoing study of potential verification measures may be instructive in overcoming obstacles to verification.

**Military Airlift:  
Structural Problems Did Not Hamper C-141 Success in Desert  
Shield/Storm**

GAO/NSIAD-93-75, Dec. 29 (43 pages).

The C-141 aircraft, long considered the backbone of the Air Force's strategic air lift, is approaching the end of its service life. The Air Force is

trying to keep the aircraft in operation as long as possible by flying it fewer hours and limiting the weight of cargo flown. Although the C-141 performed well in Operation Desert Shield/Storm, it has experienced serious technical and structural problems. Moreover, the effort to extend the service life of the airplane continues to be delayed because of technical problems and higher funding priorities. If the Air Force sticks with current plans to keep much of the C-141 fleet in active inventory until at least 2010, major work will be required to prevent continued deterioration; even then, use of the aircraft may have to be constrained severely. The physical deterioration of the C-141 fleet and the slow pace at which the service life is being extended will lead to reduced airlift capacity. The problem is exacerbated by delays in the C-17 program, which will not significantly contribute to airlift capacity until the late 1990s at the earliest.

**Military Airlift:  
Changes Underway to Ensure Continued Success of Civil Reserve  
Air Fleet**

GAO/NSIAD-93-12, Dec. 31 (28 pages).

The Civil Reserve Air Fleet program, which uses commercial aircraft to augment military planes during emergencies, is an important, yet relatively inexpensive, component of the Air Force's airlift capability. If fully used, the program can provide more than 30 percent of the Air Force's cargo airlift capability and more than 90 percent of its passenger capability. The program allows the government to avoid the large costs involved in acquiring and supporting a substantial Air Force fleet during peacetime. The Pentagon pays for the airlift as it is used and at predetermined compensation rates. The fleet played a major role in Operation Desert Shield/Storm and is expected to be a big part of the Defense Department's (DOD) airlift capability for the foreseeable future. Although the fleet's efforts in the Persian Gulf were a success, the carriers have identified several problems with the program since the activation, and some have suggested that they may reduce future participation unless changes are made. The Air Force and the carriers are working to resolve many of those concerns in negotiations for the next series of fleet contracts. The carriers believe that future fleet activations are more likely because of the success of the first activation. Also, while the carriers are more aware of the direct and indirect costs associated with the activations, the traditional incentive for program participation—peacetime DOD business—is decreasing.

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## Natural Resources

### **Wilderness: Effects of Designation on Economy and Grazing in Utah**

GAO/RCED-93-11, Dec. 29 (51 pages).

In recent years, several proposals have been introduced in Congress that would boost the acreage designated as wilderness in Utah. A 1990 study by the Western Economic Analysis Center, done at the request of the Utah Association of Counties, projects that Utah's economy would lose more than \$13 billion if one such proposal becomes law. In addition, some Utah ranchers and residents are concerned that designating an area as wilderness will reduce livestock grazing. GAO concludes that the center's study makes unreasonable assumptions and uses flawed methodology. The \$13 billion figure cited is a loss equal to about half of Utah's 1988 or 1989 gross state product and assumes that all mining, grazing, and recreation would cease when the lands are designated as wilderness. The study's methodology is flawed because, among other things, it inflates the total effects of wilderness designation by not discounting future cash flows and by double-counting projected lost revenues. The limitations of this study led GAO to conclude that the effect on Utah's economy of designating more acreage as wilderness has not been adequately quantified. Likewise, the effect of wilderness designation on livestock grazing in Utah has not been quantified.

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## Science, Space, and Technology

### **National Aero-Space Plane: Restructuring Future Research and Development Efforts**

GAO/NSIAD-93-71, Dec. 3 (56 pages).

The National Aero-Space Plan Program, which during the past seven years has been developing an aircraft that can achieve a low earth orbit using a single stage, has been fraught with turmoil, changes in focus, and unmet expectations. The program is again at a crossroads, with costs increasing, technical progress behind schedule, and insufficient program funds. Although the program is supposed to be unconstrained by operational requirements, discussions about the utility or cost/benefit of the program have prematurely evolved into efforts to justify the program by citing the potential benefits from future operational aerospace vehicles and spin-off applications. GAO believes that, in responding to pressures to successfully compete for funding and to show results in the face of reduced budgets, unrealistic expectations have been raised about the time and cost required

to achieve the program's goals and objectives. Program officials, aware of the need to again redirect the program, have proposed several alternative development strategies, but no decision has been made on which, if any, of the proposals will be approved. GAO recommends delaying any decision to build and test the X-30—a manned experimental flight vehicle—until critical technologies are developed and proven and decisions on program restructuring are made.

**Space Shuttle:  
Status of Advanced Solid Rocket Motor Program**

GAO/NSIAD-93-26, Nov. 17 (20 pages).

The Advanced Solid Rocket Motor, one of NASA's most controversial and expensive projects, is expected to give the space shuttle enough boost to lift it into orbit. The advanced motor program has been touted as a way to enhance the shuttle's safety and reliability and to increase its lift capacity by about 12,000 pounds. Although these benefits are still expected, the need for the advanced motor has declined since the program began. The new motor may not be used for either of the two payloads projected to need the additional lift capacity. In addition, two advisory groups have questioned whether NASA should develop a new motor when the existing redesigned motor has proven safe and reliable. The advanced motor's estimated development cost has increased in recent years by about 95 percent—to \$3.25 billion—mainly because of expanding the development scope, increasing construction costs, and adding cost reserves. The schedule for the first advanced solid rocket motor flight has slipped by 2-1/2 years because of delays in awarding the development contract, funding constraints, and a redesign of the building where propellant is mixed and cast. Program officials said that program costs will ultimately exceed \$3.25 billion because the fiscal year 1993 funding level will cause NASA to further stretch out the development schedule.

**Technology Transfer:  
Barriers Limit Royalty Sharing's Effectiveness**

GAO/RCED-93-6, Dec. 7 (128 pages).

Despite the introduction of royalty-sharing programs at government laboratories, federal scientists' interest in patenting has not increased. Many scientists said that the small financial rewards, such as those paid under some royalty-sharing programs, offer little incentive to patent. For

example, 17 of 21 agencies GAO reviewed use royalty-sharing formulas that often pay an individual only a few hundred dollars for an invention. GAO also found inadequate financial controls over payments to inventors. In addition, agency management is using virtually all of the laboratory's share of invention income to cover the administrative costs of transferring federal technology to U.S. companies, meaning that the benefits of royalty sharing are not visible to other potential inventors.

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## Social Services

### **Child Care: States Face Difficulties Enforcing Standards and Promoting Quality**

GAO/HRD-93-13, Nov. 20 (33 pages).

Federal grants to states to help subsidize child care centers and promote quality care require assurances that providers are meeting minimum health and safety standards, but tight fiscal conditions have weakened the ability of many states to enforce standards and improve the quality of care. In particular, tight budgets in several states have reduced on-site monitoring, a key oversight activity. Many states are looking into less costly ways of ensuring compliance with standards and influencing the quality of care, but little is known about their effectiveness. The Child Care and Development Block Grant Act of 1990 seeks to help states subsidize child care services for low-income families and to improve the overall quality of child care. Because the legislation is still in the early stages of implementation, however, it is too soon to know how it will affect the quality of child care. Yet many states are already concerned that funds for quality improvement may fall short. Moreover, they expect an influx of new child care providers under the program that could boost their caseloads and undermine their ability to regulate providers. Most state officials believe that their own enforcement efforts could be improved with technical assistance and more information about promising approaches in other states. HHS could help states evaluate their enforcement of child care standards. In addition, HHS should assess how well states expand the amount of service—and improve quality—given the states' current resources. If necessary, HHS should modify its regulations to prevent states from expanding quantity at the expense of quality.

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**Aging Issues:  
Related GAO Reports and Activities in Fiscal Year 1992**

GAO/HRD-93-57, Dec. 23 (90 pages).

By the year 2000, the number of older Americans will exceed 53 million, or 17 percent of the total population; seven million will be age 85 or older. Although most of the nation's elderly are independent and in good health, a growing number need assistance to avoid institutionalization. This changing demography will challenge both government and the private sector in the 1990s and beyond. In fiscal year 1992, GAO's work touched on a range of topics affecting the elderly, from employment discrimination to Medicare financing of nursing home care to weaknesses in the nation's pension funds. This index lists GAO reports and testimony according to subject category along with summaries describing each document.

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**Tax Policy and  
Administration**

**Tax Administration:  
Implementation of IRS Employee Suggestions**

GAO/GGD-93-22, Nov. 24 (13 pages).

The Internal Revenue Service's (IRS) employee suggestion program encourages workers to submit ideas for improving operations; cash or other awards are made if the suggestions are adopted. Because IRS does not routinely monitor or document the implementation of approved employee suggestions on an agencywide basis, GAO could not determine the extent to which approved suggestions were being implemented throughout IRS. GAO did, however, test the process in three IRS regional offices and found that almost all approved suggestions were put into effect during a recent 31-month period. A recent IRS study concluded that the employee suggestion program needed several improvements to boost employee participation. The report said that the program suffered from a lack of management support, poor training for those running the program, inadequate publicity, and untimely evaluation of suggestions. IRS is taking steps to address these shortcomings.

## Transportation

### **Aviation Safety: New Regulations for Deicing Aircraft Could Be Strengthened**

GAO/RCED-93-52, Nov. 18 (17 pages).

Six months after the March 1992 crash of USAir Flight at LaGuardia Airport, in which 27 people were killed during an unsuccessful takeoff possibly caused by ice buildup on the plane's wing, the Federal Aviation Administration (FAA) issued tougher regulations on airline ground operations during icy conditions—a considerable accomplishment considering that rulemaking can take as long as seven years. Airlines had until November 1992 to implement the new regulations. The new regulations mandate more thorough inspection of aircraft and ice removal before takeoff. These guidelines take into account the length of time deicing and anti-icing fluids can effectively keep planes free of ice. Earlier regulations stipulated only that aircraft could not take off if ice, frost, or snow were sticking to critical surfaces, such as the wings. The new regulations clearly spell out the information and training that airline personnel will need to ensure safety during icy conditions. GAO has concerns, however, about allowing pilots to check for ice from inside the aircraft. Obstructed views, distance, and poor lighting could make it difficult, if not impossible, to detect ice from inside the plane. In addition, the regulations exempt commuter airlines, which are also vulnerable to icy conditions. Commuter pilots have reported five incidents during the past four years in which they aborted flights during or immediately after takeoff because of ice problems. Finally, FAA needs to take a more active role in verifying that airline personnel have actually received and understand the training information on the new regulations.

### **Traffic Congestion: Activities to Reduce Travel Demand and Air Pollution Are Not Widely Implemented**

GAO/PEMD-93-2, Nov. 6 (88 pages).

GAO's nationwide survey of metropolitan planning organizations revealed only limited evidence of integration of air quality and local transportation planning processes, even in areas with poor air quality; many respondents said that local officials are unwilling to reduce congestion by discouraging single-occupancy ridership. The 1990 Clean Air Act Amendments encourage the use of transportation systems management techniques—a variety of low-cost approaches to maximize the efficiency of existing roads

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or to lower demand on them—to meet air quality goals. The Environmental Protection Agency is authorized to mandate these techniques in locales that fail to meet federal air quality regulations. This report discusses in detail the role of federally required urban transportation planning agencies in managing transportation systems and the extent to which air quality concerns affect the inclusion of these activities in the local transportation planning process.

**Aviation Safety:  
Increased Oversight of Foreign Carriers Needed**

GAO/RCED-93-42, Nov. 20 (19 pages).

Nine out of the 15 countries recently visited by the Federal Aviation Administration (FAA) lacked government oversight to ensure that their carriers complied with international safety standards. As a result, the Department of Transportation did not approve new carrier applications from these nations. Already licensed carriers from these countries, however, can continue to fly into the United States because FAA believes that they have already established safety records. FAA also has concerns about potential retaliation by foreign governments against the United States. To ensure that carriers from countries not meeting international standards are safe, FAA is increasing inspection coverage but has not stipulated the kind, frequency, or location of inspections. Current FAA inspections tend to be limited to examining aircraft markings, pilot licenses, and airworthiness certificates. Agency guidance, however, allows more close inspections of foreign carriers when FAA finds or suspects serious safety concerns. In three recent cases, FAA discovered serious structural cracks and corrosion, removed the aircraft from service, but made no effort to determine whether other planes run by the same carriers were safe. In another instance, FAA did not act promptly when alerted by the Canadians to serious deficiencies uncovered in Mexican aircraft during an in-depth inspection. FAA did not increase surveillance until 2-1/2 months later, after the carrier had already been involved in four serious incidents in U.S. airspace.

**Amtrak Training:  
Improvements Needed for Employees Who Inspect and Maintain  
Rail Equipment**

GAO/RCED-93-68, Dec. 8 (36 pages).

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Amtrak has devised training programs so that its train engineers and assistant conductors have the necessary knowledge and skills to do their jobs effectively. Training programs for signal maintainers, carmen, and mechanical foremen, however, are fraught with weaknesses that may have left Amtrak with a work force that is less than fully prepared. Because Amtrak had not assessed the programs, its officials were unaware of the problems GAO identified. Amtrak officials cited staff and equipment shortages as the reasons for not providing some training. The three European rail systems that GAO visited have signal maintainer, carmen, and foremen training programs that are centrally designed and managed, mandatory for all trainees, and that contain the same regimen as Amtrak's engineer training program.

**Intermodal Freight Transportation:  
Combined Rail-Truck Service Offers Public Benefits, but  
Challenges Remain**

GAO/RCED-93-16, Dec. 18 (59 pages).

In 1990 the nation's highways carried 32 percent more freight than in 1980 and 78 percent more than in 1970. Although trucking provides flexible, reliable, and economical service, the growth of this industry has been accompanied by concerns about safety, traffic congestion, pollution, and highway deterioration. Highways around cities like Chicago and Los Angeles are carrying more than 15,000 tractor-trailers a day. This report examines the status and potential benefits of intermodal transportation, in which loaded containers or trailers are transferred intact from truck to rail and back to truck. Specifically, GAO (1) discusses recent trends in intermodal rail transportation, (2) assesses the prospects for more intermodal cooperation between the rail and trucking industries, (3) identifies problems that undercut the effectiveness and benefits of intermodal transportation, and (4) considers federal initiatives that might encourage intermodal cooperation.

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**Veterans Affairs**

**VA Health Care:  
Closure and Replacement of the Medical Center in  
Martinez, California**

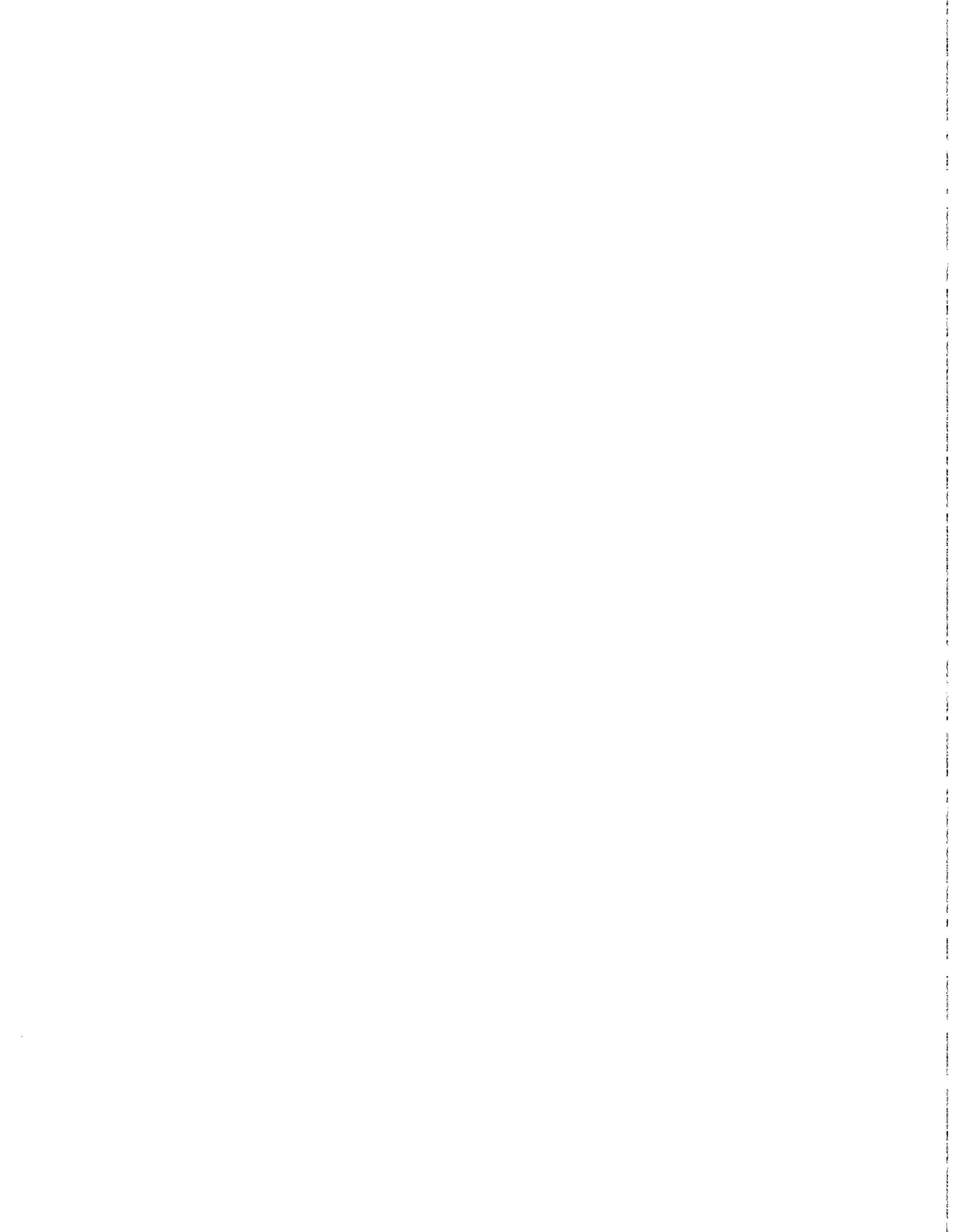
GAO/HRD-93-15, Dec. 1 (45 pages).

The Department of Veterans Affairs (VA), concerned that its Martinez, California, medical center could prove unsafe in a major earthquake, announced the emergency closure of the facility in August 1991. VA said that it intended to replace the 359-bed, full-service hospital, which served more than 400,000 veterans in northern California, with a facility on the campus of the University of California at Davis. In March 1992, however, VA told Congress that it was reconsidering its decision to move to Davis. Other options VA was looking into included working with the Air Force to add on to the medical center at Travis Air Force Base in Fairfield, California; building a VA medical center in Sacramento; and renovating the Martinez medical center. This report discusses factors that should be considered in selecting the site(s) for the replacement medical center(s). GAO reviews (1) past site selection analyses done by the Martinez medical center, VA's Western Region, and others and (2) earlier GAO reports on site selection and the sharing of medical facilities and services.

**VA Health Care:  
Medical Centers Are Not Correcting Identified Quality  
Assurance Problems**

GAO/HRD-93-20, Dec. 30 (39 pages).

VA medical centers have had mixed success in resolving the quality assurance deficiencies noted by GAO and the Inspector General in earlier audits. Problems persist in reporting and investigating patient incidents and in documenting the supervision of residents. As a result, VA still cannot accurately analyze unexpected or unfavorable incidents involving patient care and recommend corrective action. Moreover, it still does not know whether its residents are being properly supervised. These problems continue because medical center personnel are not adhering to applicable policies and procedures. Further, VA's central office and regional offices are not adequately monitoring medical center efforts to correct these problems. On the other hand, recent VA initiatives in credentialing physicians have greatly improved medical center compliance with policies and procedures. VA is undertaking several systemwide initiatives to bolster its quality assurance programs, such as peer review of the quality of care being delivered at medical centers. Success, however, depends on VA ensuring that medical centers correct any problems identified through these initiatives.



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