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# Reports and Testimony: January 1993

## Highlights

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### Transition Series

*The results of GAO's work on key issues and agencies during the past four years are summarized in 28 transition reports that focus on important economic, management, operational, and policy issues facing the new Congress, President, and agency heads. Page 2.*

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### High-Risk Series

*The 17 reports in the high-risk series cover specific areas or programs considered to be especially vulnerable to waste, fraud, abuse, and mismanagement, such as the Resolution Trust Corporation, guaranteed student loans, and Medicare claims. Page 5.*

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### Weapons Acquisition

*A new era in national security affords an opportunity to view persistent weapon system problems differently. Drawing on 15 years of GAO's work, this report identifies a series of problems often overlooked by reforms and frames the challenges that decisionmakers face in dealing with them. Page 2.*

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# Reports and Testimony: January 1993

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## Special Reports

### **Weapons Acquisition: A Rare Opportunity for Lasting Change**

GAO/NSIAD-93-15, Dec. 1992 (84 pages).

The United States today wields unprecedented military strength, boasting an impressive arsenal of battleforce ships, combat planes, tanks, and munitions. The acquisition of many of these weapons, however, has been fraught with major problems. Commitments have been made to programs like the B-2 bomber without first demonstrating that they meet critical performance requirements. Unit costs for weapon systems like the DDG-51 destroyer and the C-17 transport continue to spiral upward. Meanwhile, weapons such as the Advanced Cruise Missile and Apache helicopter have been encountering costly production and support problems. This report explores what can be done to reverse past trends and improve the acquisition process. Today's acquisition problems are the consequences of a procurement process that has become deeply rooted over the years. Yet GAO believes that the prospects for lasting change, given the diminished Soviet threat and declining defense budgets, have never been more encouraging. This report draws on 15 years of GAO work on acquisition issues, examining the cultural side of acquisition problems to suggest ways to improve the process in the future.

### **Transition Series 1992**

Dec. 1992 (28 reports).

The transition series, a set of 28 reports, summarizes GAO's findings on major problems confronting federal agencies, as well as economic and management issues facing Congress and the incoming Administration. (Specific report titles are listed below and may be ordered either individually or as a set.) One cluster of transition reports, including those on the budget deficit and investment, addresses broad policy issues affecting government as a whole and its relationship to the economy. Another group of reports addresses issues affecting specific federal agencies, such as the Defense Department and the Internal Revenue Service. A third group of reports looks at cross-cutting management issues—everything from financial management to information management. GAO highlighted many of these problems in a similar set of reports issued in 1988. In some instances, progress has been made; all too often, however, the problems have continued to fester and grow worse. In general, the state of management in the federal government is poor. Too many management ideas—and resulting agency structures and

processes—that worked well in the past now hinder the government from responding quickly and effectively to a world in tremendous flux. Most agencies have no strategic vision of the future, lack sound systems to collect and apply financial and program information to gauge operational success and accountability, and too often do without people with the skills necessary to accomplish their missions. The Comptroller General summarized the series in testimony before Congress; see:

Major Issues Facing a New Congress and a New Administration, by Charles A. Bowsheer, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-OCG-93-1, Jan. 8 (30 pages).

**Budget Issues**

GAO/OCG-93-1TR, Dec. 1992 (35 pages).

**Investment**

GAO/OCG-93-2TR, Dec. 1992 (35 pages).

**Government Management Issues**

GAO/OCG-93-3TR, Dec. 1992 (45 pages).

**Financial Management Issues**

GAO/OCG-93-4TR, Dec. 1992 (43 pages).

**Information Management and Technology Issues**

GAO/OCG-93-5TR, Dec. 1992 (33 pages).

**Program Evaluation Issues**

GAO/OCG-93-6TR, Dec. 1992 (30 pages).

**The Public Service**

GAO/OCG-93-7TR, Dec. 1992 (33 pages).

**Health Care Reform**

GAO/OCG-93-8TR, Dec. 1992 (34 pages).

**National Security Issues**

GAO/OCG-93-9TR, Dec. 1992 (42 pages).

**Financial Services Industry Issues**

GAO/OCG-93-10TR, Dec. 1992 (32 pages).

**International Trade Issues**

GAO/OCG-93-11TR, Dec. 1992 (27 pages).

**Commerce Issues**

GAO/OCG-93-12TR, Dec. 1992 (32 pages).

**Energy Issues**

GAO/OCG-93-13TR, Dec. 1992 (31 pages).

**Transportation Issues**

GAO/OCG-93-14TR, Dec. 1992 (34 pages).

**Food and Agriculture Issues**

GAO/OCG-93-15TR, Dec. 1992 (34 pages).

**Environmental Protection Issues**

GAO/OCG-93-16TR, Dec. 1992 (29 pages).

**Natural Resources Management Issues**

GAO/OCG-93-17TR, Dec. 1992 (35 pages).

**Education Issues**

GAO/OCG-93-18TR, Dec. 1992 (38 pages).

**Labor Issues**

GAO/OCG-93-19TR, Dec. 1992 (38 pages).

**Health and Human Services Issues**

GAO/OCG-93-20TR, Dec. 1992 (33 pages).

**Veterans Affairs Issues**

GAO/OCG-93-21TR, Dec. 1992 (31 pages).

**Housing and Community Development Issues**

GAO/OCG-93-22TR, Dec. 1992 (29 pages).

**Justice Issues**

GAO/OCG-93-23TR, Dec. 1992 (40 pages).

**Internal Revenue Service Issues**

GAO/OCG-93-24TR, Dec. 1992 (33 pages).

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**Foreign Economic Assistance Issues**

GAO/OCG-93-25TR, Dec. 1992 (28 pages).

**Foreign Affairs Issues**

GAO/OCG-93-26TR, Dec. 1992 (34 pages).

**NASA Issues**

GAO/OCG-93-27TR, Dec. 1992 (25 pages).

**General Services Issues**

GAO/OCG-93-28TR, Dec. 1992 (31 pages).

**High-Risk Series**

Dec. 1992 (17 reports).

Many GAO audit reports have spotlighted the effect of management failures in the federal government—waste, inefficiency, and even scandal. Political leaders have been forced to spend too much time reacting to surprises like the HUD debacle rather than doing the work the agencies were created to do. GAO began its high-risk program to identify those high-dollar government programs most vulnerable to fraud, waste, abuse, and mismanagement. The resulting high-risk series of reports, which examine the federal government's efforts to identify and correct problems in 17 especially vulnerable areas, fall into three main categories: lending and insuring, contracting, and accountability. (Specific report titles are listed below and may be ordered either individually or as a set.) Many of the root causes of the problems afflicting these government programs are traceable to the absence of fundamental processes and systems. GAO urges that future congressional oversight focus on the agency reports and audited financial statements required by the Chief Financial Officers Act, agency management's progress in correcting material weaknesses in program internal control and accounting systems, and federal agency efforts to develop and implement performance standards. The Comptroller General summarized the high-risk series in testimony before Congress; see:

Government Management—Report on 17 High-Risk Areas, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-OCG-93-2, Jan. 8 (22 pages).

**Farmers Home Administration's Farm Loan Programs**

GAO/HR-93-1, Dec. 1992 (35 pages).

**Guaranteed Student Loans**

GAO/HR-93-2, Dec. 1992 (40 pages).

**Bank Insurance Fund**

GAO/HR-93-3, Dec. 1992 (46 pages).

**Resolution Trust Corporation**

GAO/HR-93-4, Dec. 1992 (45 pages).

**Pension Benefit Guaranty Corporation**

GAO/HR-93-5, Dec. 1992 (36 pages).

**Medicare Claims**

GAO/HR-93-6, Dec. 1992 (32 pages).

**Defense Weapons Systems Acquisition**

GAO/HR-93-7, Dec. 1992 (50 pages).

**Defense Contract Pricing**

GAO/HR-93-8, Dec. 1992 (37 pages).

**Department of Energy Contract Management**

GAO/HR-93-9, Dec. 1992 (41 pages).

**Superfund Program Management**

GAO/HR-93-10, Dec. 1992 (41 pages).

**NASA Contract Management**

GAO/HR-93-11, Dec. 1992 (42 pages).

**Defense Inventory Management**

GAO/HR-93-12, Dec. 1992 (39 pages).

**Internal Revenue Service Receivables**

GAO/HR-93-13, Dec. 1992 (42 pages).

**Managing the Customs Service**

GAO/HR-93-14, Dec. 1992 (37 pages).

**Management of Overseas Real Property**

GAO/HR-93-15, Dec. 1992 (33 pages).



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**Federal Transit Administration Grant Management**

GAO/HR-93-16, Dec. 1992 (39 pages).

**Asset Forfeiture Programs**

GAO/HR-93-17, Dec. 1992 (33 pages).

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## Budget and Spending

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### Testimony

Fiscal Year 1994 Budget Estimates for the General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Legislative, House Committee on Appropriations.

GAO/T-OCG-93-3, Jan. 26 (26 pages).

GAO is requesting \$497,585,000 for fiscal year 1994—about an 11-percent increase over fiscal year 1992 levels. In fiscal year 1993, GAO's funding was reduced by \$7 million, and the agency lost another \$5 million in rent collections when the Bureau of Labor Statistics moved out of the GAO Building. The level of funding requested for fiscal year 1994, although not restoring any of the 162 positions cut last year, will allow GAO to cover mandatory pay increases; continue asbestos removal and renovations at its headquarters in Washington, D.C.; and pay for the installation of modern telecommunications equipment and microcomputers. GAO has been able to provide Congress with increasing numbers of products without staffing increases. In fiscal year 1992, the agency's work contributed to a record high of more than \$36.2 billion in measurable financial benefits or \$82 for every dollar appropriated to GAO. The Comptroller General's goal is to maintain these high productivity levels, even with lower staffing resources, through continued improvements in GAO's training curriculum, acquisition of modern technology, and renovation of the agency's working environment.

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## Economic Development

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### Testimony

**Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy**, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations. GAO/T-RCED-93-4, Jan. 27 (35 pages).

Several recent catastrophes—especially Hurricane Andrew in South Florida—have fueled growing dissatisfaction with how the nation responds to major disasters. In the aftermath of Hurricane Andrew, inadequate damage assessments, inaccurate estimates of needed services, and miscommunication and confusion at all levels of government slowed the delivery of services vital to disaster victims. The nation may well experience future disasters or emergencies even more devastating than Hurricane Andrew. GAO testified that the federal government's strategy for dealing with disasters is deficient. It makes no provision for comprehensively assessing damage or the needs of disaster victims, which would greatly speed the delivery of assistance. The federal government also lacks explicit authority to adequately prepare for a disaster when there is advance warning. Finally, state and local governments generally lack the training and funding needed to respond to disasters on their own.

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## Education

**Student Testing:  
Current Extent and Expenditures, With Cost Estimates for a  
National Examination**

GAO/PEMD-93-8, Jan. 13 (86 pages).

Recent proposals from the federal government and private groups have focused unprecedented attention on the idea of a national examination for elementary and secondary students. Yet little information exists either on the present extent and cost of testing or on the likely cost of a national examination system. GAO reviewed the matter and found that students do not seem to be overtested today. Systemwide testing—exams given to all students at any one grade level in a school district—consumed about seven hours for an average student in 1990-91 and cost about \$15 per

student. GAO estimates that such testing cost about \$516 million nationwide in that year and that a national examination—depending on whether it uses multiple choice or performance testing—could cost, respectively, about \$160 million or about \$330 million annually. Should Congress decide to forge ahead with national examinations, it may want to give serious thought to involving state and local educators in producing the tests. If the desired end result is a well-accepted and widely used national examination, Congress should also consider how to ensure the technical quality of the tests.

## Energy

### **Nuclear Security: Improving Correction of Security Deficiencies at DOE's Weapons Facilities**

GAO/RCED-93-10, Nov. 16 (22 pages).

Although it is critical that the nation's stock of nuclear materials be properly secured and safeguarded, routine Department of Energy (DOE) security inspections in 1989 and 1990 uncovered more than 2,100 security deficiencies at 39 of its contractor-run weapons facilities. This report reviews attempts by DOE operating contractors to correct security deficiencies and examines how DOE supervises such contractor efforts. GAO evaluated 20 security deficiency cases at four nuclear weapons facilities and found that contractors are not adequately conducting four of the eight procedures considered necessary to ensure proper correction of deficiencies. The contractors cannot always prove that they have done three critical analyses—root cause, risk assessment, and cost-benefit—and do not always adequately verify that corrective actions are appropriate, effective, and complete. At the same time, DOE oversight has been hampered by computer system incompatibility. DOE reviews of contractors' corrective action plans are sometimes untimely, and DOE cannot always show that it has validated contractors' corrective actions.

### **Nuclear Weapons Complex: Weaknesses in DOE's Nonnuclear Consolidation Plan**

GAO/RCED-93-56, Nov. 19 (27 pages).

With the end of the Cold War and anticipated cuts in the nation's nuclear arsenal, the Department of Energy (DOE) has been studying ways to consolidate its nuclear weapons complex, which manufactures the

nonnuclear components for weapons. Consolidation will be a particularly difficult task, entailing huge costs, affecting thousands of workers across the country, and having important implications for national security. GAO evaluated DOE's September 1991 Nonnuclear Consolidation Plan and found several shortcomings. The plan primarily looks at one option—consolidation at a single dedicated nonnuclear site. The costs are uncertain and the technical risks of consolidation were not thoroughly examined. Although DOE is trying to address some of these weaknesses by further studying other consolidation options and by reexamining costs in detail, GAO believes that some problems are being overlooked. Even with these additional studies, DOE needs to do more to ensure that all reasonable options have been explored and that technical risks have been thoroughly examined.

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## Environmental Protection

### **Groundwater Protection: Validity and Feasibility of EPA's Differential Protection Strategy**

GAO/PEMD-93-6, Dec. 9 (104 pages).

In surveying state officials across the country, GAO discovered that many states possess at least some of the data needed to assess the vulnerability of groundwater to pesticide contamination. Significant gaps in the data exist, however. Officials in only 15 states reported that data have been mapped in their state for all eight vulnerability factors necessary for doing valid assessments. Even when data are available, they often cover only part of the state and are not detailed enough to use in preparing valid assessments. In fact, no state has been completely mapped at a sufficient resolution for every factor. States need to collect more data if they are to conduct valid groundwater assessments. GAO found that the performance of vulnerability assessment models has been inconsistent. At best, existing models have been shown to predict groundwater vulnerability adequately only in some cases—that is, for some pesticides in some soils. Moreover, the model tests generally have not been done on the subcounty scale necessary to show whether the EPA differential strategy is either scientifically sound or economically viable. To be useful for regulatory purposes, both the models and their testing will have to be improved.

### **Air Pollution: Actions to Promote Radon Testing**

GAO/RCED-93-20, Dec. 24 (35 pages).

To promote radon testing, the Environmental Protection Agency (EPA) began a public information campaign and gave states grants to encourage radon testing by home owners. Although this effort appears to have significantly heightened public awareness of the problem, only nine percent of home owners surveyed have actually tested their residences. As a result, an EPA-convened panel recommended in May 1992 that the current voluntary approach be continued but with certain programmatic changes. These changes include targeting areas where radon levels are considered high and promoting testing and mitigation at the time of real estate transactions. To support state radon efforts, Congress authorized a grant program for yearly grants of \$10 million for three years. Funds for this program were recently extended for a fourth year through fiscal year 1993. Although information to measure states' success in promoting testing by home owners was generally unavailable, GAO did identify some state projects that have increased radon testing by targeting homes in areas with potentially high radon levels. In two states that GAO surveyed, the voluntary use of disclosure statements as part of a real estate sales contract was common; in one state, radon testing often took place during real estate transactions in areas with high radon levels. For the most part, the six housing agencies and federally chartered secondary mortgage institutions that finance or insure much of the nation's housing do not require either testing for radon or the disclosure of radon information for participation in their programs.

## Financial Institutions

### **Resolution Trust Corporation: Number and Types of Legal Matters**

GAO/GGD-93-50FS, Jan. 8 (11 pages).

This fact sheet provides information on the number, types, and nature of pending matters in litigation involving the Resolution Trust Corporation (RTC). From October 1991 to November 1992, RTC was involved in about 77,500 legal matters, ranging from routine real estate foreclosures to complex professional liability claims. Of this total, 16 percent had been closed by November 1992. Since October 1991, new legal matters have been added at an average rate of about 3,100 per month. More specifically, as of November 1992, 58 percent of RTC's open legal matters involved litigation cases while 42 percent were nonlitigation cases. Since its inception, RTC has collected about \$186.8 million from litigation settlements and paid about \$24.7 million in litigation losses, including both

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judgments and settlements. RTC's cash recoveries and payments from litigation settlements increased in each of the past three years.

**Resolution Trust Corporation:  
Recoveries on Asset Sales Through September 1992**

GAO/GGD-93-51FS, Jan. 8 (12 pages).

GAO, in a report issued a year ago (GAO/GGD-92-36FS), examined the cost of resolving failed thrifts. That report contained information on the Resolution Trust Corporation's (RTC) recovery rates and an analysis of the data from RTC's Real Estate Owned Management System. This report updates that information. Although cumulative sales of real estate more than doubled from October 1991 to September 1992, RTC's sales recoveries—measured as a percentage of net proceeds to book value—have dropped steadily. The recovery data on a cumulative basis also show a decline. Overall, the gap between the sales price for real estate and their appraised value continued to widen; data from September 1992 show that the average sales price was about 17 percent less than the appraised value.

**Deposit Insurance Funds:  
Compliance With Obligation and Repayment Requirements as of  
March 31, 1992**

GAO/AFMD-93-31, Jan. 21 (27 pages).

This is the first of GAO's required reports on the Federal Deposit Insurance Corporation's (FDIC) compliance with the maximum obligation limitation set by the Federal Deposit Insurance Corporation Improvement Act of 1991. This obligation limitation applies separately to both the Bank Insurance Fund—insurer of commercial bank deposits—and the Savings Association Insurance Fund—insurer of thrift deposits—and is designed to ensure that each fund's assets and other funding sources are enough to pay its obligations. GAO also assesses whether the Fund's total collections from the management and disposition of assets acquired from failed banks would be enough to repay the Fund's existing working capital borrowings.

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Testimony

Banks and Thrifts: Safety and Soundness Reforms Need to Be Maintained, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-GGD-93-3, Jan. 27 (74 pages).

In this testimony, the Comptroller General discusses the following key safety and soundness provisions of the landmark Federal Deposit Insurance Corporation Improvement Act of 1991: (1) the condition of the banking and thrift industries and the funds that insure them; (2) two concerns being raised prominently today—the volume of bank lending and regulatory burden; and (3) the implications of all of this for congressional oversight and the legislative agenda for banking. GAO's overriding message is the importance of following through on the implementation of the key safety and soundness provisions of the 1991 legislation. Much remains to be done to realize the act's potential to help both the industry and the deposit insurance system regain sound financial footing. The banking industry reported strong earnings performance in the first nine months of 1992, and welcome signs exist that the health of much of the industry is improving. Even so, the future of both the economy and the banking system remains uncertain. Furthermore, the deposit insurance funds for both banks and thrifts are severely undercapitalized.

Bank and Thrift Failures: The Government Could Do More to Pursue Fraud and Wrongdoing, by Harold A. Valentine, Associate Director for Administration of Justice Issues, before the National Commission on Financial Institution Reform, Recovery, and Enforcement. GAO/T-GGD-93-1, Jan. 28 (24 pages).

Fraud and wrongdoing played a big role in the bank and thrift crisis. Criminal referrals involving former directors, officers, and other principal officials have been filed in connection with nearly half of the failed institutions; negligence by these individuals was suspected in more than 75 percent of these banks and thrifts. GAO testified that the Justice Department, Federal Deposit Insurance Corporation (FDIC), and Resolution Trust Corporation (RTC) could be doing much more to address criminal fraud and civil wrongdoing. Justice has not adequately coordinated or managed the government's efforts to investigate and prosecute criminal fraud. In short, its reaction to this crisis has been "business as usual." FDIC and RTC have also failed to do all they could to pursue professional liability claims against former directors, officers, and other professionals at failed banks and thrifts. GAO makes a number of recommendations aimed at strengthening the federal response to fraud, negligence, and other

wrongdoing in financial institutions. GAO also supports stronger oversight of the nation's financial institutions—a move that is critical to identifying unsafe and unsound practices before they threaten the viability of banks and thrifts.

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## Financial Management

### **Federal Credit Programs: Agencies Had Serious Problems Meeting Credit Reform Accounting Requirements**

GAO/AFMD-93-17, Jan. 6 (22 pages).

The Federal Credit Reform Act of 1990 was meant to better control and manage the government's direct and guaranteed loan programs, which totaled \$855 billion as of September 1991. GAO discovered that the law's potential has yet to be realized and is unlikely to be fully achieved soon, considering the generally poor state of agency financial systems and controls. The problems facing agencies include (1) serious and long-standing weaknesses in credit program financial systems and controls and resulting unreliable historical credit information, which stymied the major domestic lending agencies in meeting the Office of Management and Budget's implementing requirements under the act; (2) inadequate staff resources to develop the systems needed to carry out the act's new requirements; and (3) inappropriate accounting and inconsistent reporting for pre-credit reform act loans and loan guarantees, a condition that will both prevent that information from being used to appraise the reasonableness of post-credit data and diminish the value of financial reports in measuring agency performance, future funding needs, and other credit program analyses. These problems will not be easily overcome and will require a concerted effort and innovative approaches, such as the interim use of statistical sampling techniques, to develop and maintain reasonably accurate credit data.

### **Financial Management: Poor Internal Control Has Led to Increased Maintenance Costs and Deterioration of Equipment**

GAO/AFMD-93-8, Jan. 5 (60 pages).

The Army, despite having spent more than \$1 billion in fiscal year 1991 to overhaul weapons and equipment, may be wasting millions of dollars because of poor internal controls and inadequate systems that fail to



protect weapons and equipment from deterioration and theft during shipments to Army depots and during routine maintenance. Because repairables at the four depots GAO visited were stored, often for years, with inadequate protection, many items rusted or corroded to the point where they were fit only for scrap. In fiscal year 1991, personnel at the four depots did only 30 percent of the required physical inventories for repairables. Improper stacking and other inadequate storage practices also made it hard to account for and control items at two of the depots. GAO discovered many discrepancies between what was on hand and what was recorded in the system accounting for repairables, suggesting that the Army may be making decisions about equipment on the basis of unreliable data. In addition, the depots' cost accounting system did not accurately record and report maintenance costs for specific job orders. Because of ineffective maintenance shop processes and weak accounting controls, costs were not always charged to the proper job order or inappropriate nonmaintenance costs were sometimes included.

## Government Operations

### **Federal Data Collection: Agencies' Use of Consistent Race and Ethnic Definitions**

GAO/GGD-93-25, Dec. 15 (12 pages).

Race and ethnic background is a sensitive subject, and making determinations of such identity for statistical purposes is an imprecise effort at best. Federal guidelines aim at ensuring consistency in federal data collection. Although the agencies GAO reviewed appear to follow these policies, they do not verify that data collectors comply with the definitions during surveys because of the substantial resources that would be required. This failure to verify compliance, combined with limited review by the Office of Management and Budget, could be a source of error in reporting, as seen in an infant mortality study by the Centers for Disease Control. In addition, inconsistency can become a problem when agencies use data that are not collected according to federal standards because these sources may have their own rules that may differ from federal guidelines. The agencies GAO reviewed appear to understand this situation and took it into account when publishing reports.

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**General Services Administration:  
Actions Needed to Stop Buying Supplies From Poor-Performing  
Vendors**

GAO/GGD-93-34, Jan. 11 (42 pages).

Although the General Services Administration (GSA) awards the majority of its supply contracts to vendors whose products meet quality and delivery requirements, the agency continues to do business with a number of vendors with poor performance histories. Between fiscal years 1988 and 1992, for example, GSA awarded contracts worth more than \$1 billion to at least 285 vendors whose products repeatedly failed to meet contractor specification and delivery schedule requirements. This situation exists for two main reasons. First, GSA lacks complete and readily usable data on vendors' past contract performance. Second, GSA has not consistently stressed or considered product quality, on-time delivery, or vendor capability and performance in awarding and administering its supply contracts. GSA has taken actions against poor-performing vendors over the years and recently began several new initiatives aimed at more fully protecting its supply operations from such losses and inefficiencies. It is too soon to tell, however, what impact these initiatives will have on reducing GSA's vulnerability.

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**Health**

**District of Columbia:  
Barriers to Medicaid Enrollment Contribute to Hospital  
Uncompensated Care**

GAO/HRD-93-28, Dec. 29 (53 pages).

Uncompensated care costs are becoming a significant problem for many hospitals in the District of Columbia due to the rising number of uninsured patients and the soaring cost of health care. The cost of uncompensated care at hospitals in the District increased from \$157 million in 1987 to \$228 million in 1990. Against this growing burden of uncompensated care, Medicaid reimbursement has become an important revenue source for hospitals that serve a high percentage of poor and indigent patients. Even with Medicaid funds, however, many hospitals are becoming hard pressed to provide adequate health care to their communities. This report (1) determines the extent to which uncompensated care is a problem for hospitals in the District of Columbia, (2) examines the process for obtaining Medicaid enrollment and its relationship to Medicaid

reimbursement and uncompensated care, and (3) reviews the process for obtaining Medicaid enrollment in the District and reviews potential barriers to enrollment.

**Emergency Departments:  
Unevenly Affected by Growth and Change in Patient Use**

GAO/HRD-93-4, Jan. 4 (72 pages).

Patient caseloads in emergency rooms nationwide soared between 1985 and 1990. Nearly 85 percent of hospitals reported an upsurge in emergency room use by patients with nonurgent conditions—more than 40 percent of all emergency room patients in 1990. The largest rise in emergency room visits were by Medicaid patients, who traditionally have high rates of emergency room use for nonurgent conditions. Nonurgent use by uninsured patients also contributed to the emergency room caseload growth during the six-year period. Growth in emergency room use was most pronounced among patients whose medical care is often not fully reimbursed, such as Medicaid, Medicare, and uninsured patients. At the same time, however, little growth occurred in emergency room use by patients with private insurance. This disproportionate growth may make it harder for hospitals to absorb or offset losses due to unreimbursed emergency room care. GAO did observe some appreciable variations in emergency room conditions by community size. For example, emergency rooms in urban areas were most likely to have patients waiting a long time for treatment. Furthermore, these emergency rooms were the most likely to have a larger share of uninsured patients and increased visits due to AIDS, drug abuse, and violence.

**Medicaid:  
Changes in Drug Prices Paid by HMOs and Hospitals Since  
Enactment of Rebate Provisions**

GAO/HRD-93-43, Jan. 15 (44 pages).

In 1990, in an effort to control Medicaid's increasing outlays for prescription drugs, Congress significantly changed the way that Medicaid pays for outpatient drugs. Medicaid had been paying near retail prices for outpatient drugs, while other purchasers, such as hospitals and health maintenance organizations (HMO), were able to negotiate big discounts with drug manufacturers. The new legislation required drug manufacturers to give state Medicaid programs rebates for outpatient drugs on the basis

of the lowest prices available to any purchaser. In a September 1991 report (GAO/HRD-91-139), GAO discussed changes in prescription drug prices charged the Department of Veterans Affairs and the Defense Department. This report focuses on changes in drug prices charged hospitals and HMOs. GAO found that drug price changes experienced by HMOs and hospitals varied considerably since the enactment of the Medicare rebate provisions. Some prices increased substantially, while others declined. Price increases tended to be more common and more significant for outpatient drugs than for inpatient drugs, but few other clear patterns emerged. GAO could not determine the extent to which the price hikes were due to the new law.

## Information Management

### **Mission Critical Systems: Defense Attempting to Address Major Software Challenges**

GAO/IMTEC-93-13, Dec. 24 (27 pages).

Billions of dollars in current and future Defense Department (DOD) weapons and command, control, communications, and intelligence systems depend on high-performance, correctly functioning, real-time computer systems that hold up under severe stresses. Yet the Pentagon's mission-critical systems continue to be plagued by a host of long-standing software development problems, including cost, schedule, and performance shortfalls. This report provides an overview of earlier GAO work on mission-critical systems. Many studies both by GAO and DOD have pointed out a variety of deficiencies, ranging from a lack of management attention to ill-defined system requirements to inadequate testing. Why has this situation persisted for so long? GAO notes that the understanding of software as a product and of software development as a process is not keeping pace with the growing complexity of existing and emerging mission-critical systems. The Pentagon is trying to overcome this dilemma through two main programs—the software action plan working group and the Corporate Information Management initiative. Whether these efforts will solve the military's formidable software problems is uncertain; there are no easy answers.

### **Health Information Systems: National Practitioner Data Bank Continues to Experience Problems**

GAO/IMTEC-93-1, Jan. 29 (41 pages).

The Department of Health and Human Services (HHS) created its National Practitioner Data Bank to help prevent unethical or incompetent doctors from moving across state lines and concealing their professional history. HHS' management of the data bank, however, has allowed weaknesses that undermine achievement of a timely, secure, and cost-efficient operation. The data bank usually does not give users responses to their questions for several weeks, which in turn delays the granting of privileges to health care practitioners. Further, poor internal controls have allowed user organizations to receive sensitive practitioner data to which they were not entitled. In addition, HHS has inadequately monitored the data bank contractor. Finally, although HHS intends to revamp the data bank, its plans have not incorporated a sound system development approach and are based on funding uncertainties. As a result, HHS may acquire a system that does not meet users' needs.

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## Testimony

**Telecommunications: Cellular Service Competition**, by John H. Anderson, Jr., Associate Director for Transportation and Communications Issues, before the Senate Committee on Energy and Public Utilities, California State Legislature. GAO/T-RCED-93-3, Jan. 12 (13 pages).

Cellular phone service is one of the fastest growing segments of the telecommunications industry. Since starting up in the early 1980s, cellular phone service has seen annual revenues climb to nearly \$7 billion; about 10 million subscribers today pay more than \$68 per month for service. Under current Federal Communications Commission (FCC) rules, no more than two cellular carriers may operate in each geographic market. This testimony explores the competitive structure of the industry and determines whether FCC's policies ensure the availability of cellular services at competitive rates.

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## International Affairs

**Loan Guarantees:  
Export Credit Guarantee Programs' Costs Are High**

GAO/GGD-93-45, Dec. 22 (28 pages).

The cost of running the Commodity Credit Corporation's (CCC) General Sales Manager-102/103 programs, which guarantee repayment of bank-financed loans to foreign buyers, has been very high. Large costs were incurred when CCC provided higher levels of guarantees to existing program participants or added new countries to the programs. How much

additional cost will be incurred in the future will depend on the characteristics of any new loan guarantees that CCC makes. "Rolling over" existing guarantees to current program participants entails little additional cost. Increasing the amounts of outstanding guarantees to most existing program participants or adding new high-risk countries to the program, however, will add substantial additional costs. At the same time, the extent of any meaningful benefits is unknown. Therefore, it is very important to pay careful attention to future program costs.

**International Trade:  
Advertising and Promoting U.S. Cigarettes in Selected Asian  
Countries**

GAO/GGD-93-38, Dec. 31 (83 pages).

The controversy surrounding cigarette advertising and promotion has intensified in recent years in the United States and abroad. In many countries, cigarettes can be advertised with few restrictions—in print and broadcast media as well as through cigarette companies' sponsorship of cultural and sporting events. Health proponents, however, view these activities as contrary to international efforts to reduce cigarette consumption and the illnesses associated with smoking. This report (1) elaborates on the continuation of the conflicting U.S. government policy of pursuing antismoking initiatives domestically while helping U.S. cigarette companies sell their products abroad and U.S. government regulation of cigarette exports compared with exports of other potentially harmful products or substances; (2) summarizes the restrictions on cigarette advertising and promotion imposed in Japan, Taiwan, South Korea, Thailand, Hong Kong, Malaysia, and Indonesia and describes alleged violations by U.S. cigarette companies as reported by the foreign governments; and (3) reviews the advertising and promotional activities of U.S. cigarette companies in these countries and specifically looks at whether these companies are targeting children and nonsmokers.

**Foreign Assistance:  
Meeting the Training Needs of Police in New Democracies**

GAO/NSIAD-93-109, Jan. 21 (10 pages).

As a way to bolster judicial reform in the former Soviet Union and Eastern Europe, Congress recently authorized the executive branch to begin offering law enforcement training in those countries. This report discusses

(1) whether the needs of the police forces in the region have been adequately assessed, (2) whether the assistance to police forces now being provided directly supports attempts to build democracy, (3) whether the executive branch has developed a plan to provide police training in support of consolidating democratic values in this region of the world, and (4) which U.S. agency has the experience to meet the training intent of the legislation.

## Justice and Law Enforcement

### **Drug War: Drug Enforcement Administration Staffing and Reporting in Southeast Asia**

GAO/NSIAD-93-82, Dec. 4 (24 pages).

GAO reviewed the Drug Enforcement Administration's (DEA) staffing and intelligence reporting in Southeast Asia—specifically Burma, Laos, Thailand, Hong Kong, and Singapore. This report discusses the (1) factors affecting the size, location, and operations of DEA offices in these areas; (2) contributions and qualifications of DEA intelligence analysts assigned to Southeast Asia; (3) analytical support provided by the Commander-in-Chief, U.S. Pacific Command, to DEA intelligence programs in Southeast Asia; and (4) adequacy of DEA intelligence reporting in Southeast Asia. GAO found that DEA has not fully staffed its Southeast Asia offices with effectively performing intelligence analysts, resulting in lower overall intelligence contributions. Various political and administrative factors, rather than the extent of the narcotics problem in each country, have generally influenced the size, location, and operations of DEA offices in Southeast Asia. For example, even though Burma is a major producer of illicit opium and heroin, political upheaval in that country has meant a limited DEA role there. In addition, DEA operates no office in Laos, the second largest opium producer in Southeast Asia, due to a lack of Laotian cooperation. Three of four analysts posted to Southeast Asia have done a poor job providing intelligence reports—a situation GAO believes is due mainly to a lack of regional or area knowledge, skills, and abilities among the analysts. According to a DEA official, the agency has no criteria other than time-in-grade requirements for determining whether applicants for intelligence analyst positions are qualified to do the work.

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**Federal Judiciary:  
How the Judicial Conference Assesses the Need for More Judges**

GAO/GGD-93-31, Jan. 29 (95 pages).

This report includes GAO's assessment of the policies, procedures, and methodologies that the Judicial Conference of the United States used in recommending the creation of more federal judgeships. GAO also describes (1) efforts under way to improve the case weights used to measure district judges' workload and (2) preliminary efforts to develop a more accurate measure of appellate court workload. Given the limitations of current workload measures and the judgmental nature of much of the Conference's decisions, GAO was unable to determine whether the 1990 recommendations accurately reflected the need for more judges. Within these limitations, however, GAO found the Conference's method of determining the need for more judges to be reasonable.

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**National Defense**

**Defense Inventory:  
Depot Packing and Shipping Procedures**

GAO/NSIAD-93-3, Dec. 7 (10 pages).

The Defense Logistics Agency (DLA) routinely consolidates the packing of low priority shipments going to the same military installation at the same time. Yet Pentagon regulations do not allow consolidating the highest priority orders going to the same place at the same time, even though this would yield considerable savings. One DLA depot has estimated that it could save about \$250,000 annually through consolidated packing of these priority orders. DLA depots generally pack and ship supply items in an efficient and effective way. DLA is incurring unnecessary costs, however, because of a new Army supply system that automatically expedites transportation for high priority requisitions that fail to show a required delivery date. This procedure contradicts a Pentagon directive allowing DLA depots to downgrade the transportation priority of requisitions when materiel is not needed within 20 days. GAO also found that recycling efforts varied from one military installation to another.

**Theater Missile Defense Program:  
Funding and Personnel Requirements Are Not Fully Defined**

GAO/NSIAD-93-84, Dec. 15 (14 pages).



The Strategic Defense Initiative Organization (SDIO) cannot estimate total cost and personnel requirements for the planned theater missile defense system because it has not fully defined the design and performance requirements for the overall capability. For the functional element upon which it has concentrated—active defense—SDIO has not yet developed an overall program plan that defines how theater missile defense will interact within its own elements, with existing air defense capabilities, or with other components of the Global Protection Against Limited Strikes system. Further, SDIO has not yet developed an overall program plan and acquisition strategy for acquiring and deploying the systems and has not fully defined certain performance requirements. SDIO projected that it would need about \$2.4 billion more funding during fiscal years 1992 through 1997 than had been approved for the theater missile defense program in DOD's fiscal year 1993 plan. SDIO officials said that the fiscal year 1994 plan would include enough funding to implement the currently planned program. Although the Army does not know its total theater missile defense force requirements, it has estimated that it will need about 1,300 people for the Theater High Altitude Area Defense system and has stated that no new personnel would be required if the upgraded Patriot system is selected for lower tier defense. The Pentagon is required to provide Congress with a master plan covering the theater missile defense program when the President submits his 1994 fiscal year budget.

**Defense Health Care:  
CHAMPUS Mental Health Demonstration Project in Virginia**

GAO/HRD-93-53, Dec. 30 (16 pages).

The Defense Department (DOD) is now undertaking a managed care demonstration project for mental health services in the Tidewater, Virginia, area for beneficiaries of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Allegations began surfacing in November 1991 that the project's contractor was denying needed care for CHAMPUS beneficiaries to boost its profits under the fixed-price contract arrangement—\$31.2 million in fiscal year 1992. GAO discovered that the project has saved money, mainly by (1) reducing the use of inpatient services by about 83 percent and substituting less expensive partial hospitalization and outpatient treatment and (2) paying mental health providers lower reimbursement rates. DOD oversight and contractor controls, however, have failed to guarantee CHAMPUS beneficiaries access to quality treatment. Although DOD effectively monitors the administrative aspects of the contractor's operations, it has fallen short in independent

evaluation and quality-of-care monitoring of the project. Similarly, although the contractor's system for assessing and authorizing care has many favorable features that help beneficiaries receive treatment, it may also be unduly restricting access to care and limiting identification of quality treatment problems.

**Army Materiel Command:  
Factors Influencing Retirement Decisions During 1990 Reduction  
in Force**

GAO/NSIAD-93-28BR, Dec. 31 (73 pages).

Congress is debating proposed legislation that would encourage more early retirements during the reduction of civilian employees at the Defense Department. This briefing report studies the retirements experienced by the Army Materiel Command as part of its 1990 reduction in force, during which specific authority was given to allow early retirements. GAO (1) determines the extent to which early retirements may have helped avoid involuntary separations in that instance, (2) identifies the main factors that differentiated employees who took early retirements in that reduction in force from those who did not, and (3) obtains insights on retirement-eligible employees' reactions to hypothetical retirement incentives. GAO also obtained the views of employees already eligible for standard retirement at the time of the Army Materiel Command's reduction in force.

**Electronic Warfare:  
Laser Warning System Production Should Be Limited**

GAO/NSIAD-93-14, Jan. 25 (16 pages).

Installed in combat helicopters, the AVR-2 and AVR-2A laser warning systems are designed to alert pilots to the type and location of laser-guided enemy weapons. GAO believes that production of the AVR-2 and AVR-2A should be slowed until operational tests are completed successfully. The AVR-2's poor performance during operational testing forced its redesign. Even though half of the total quantity required has been procured, neither the redesigned AVR-2 nor the further redesigned AVR-2A has been subjected to operational tests to ensure satisfactory performance. This contradicts Pentagon acquisition policy, and the Army risks buying defective systems.

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**Desert Shield/Storm:  
Air Mobility Command's Achievements and Lessons for the Future**

GAO/NSIAD-93-40, Jan. 25 (43 pages).

The Air Force Air Mobility Command performed well under demanding circumstances during Operation Desert Shield/Storm, showing flexibility in its response to unforeseen difficulties associated with the airlift operation. The Air Force's ability to transport sustainment cargo—the material required to supply deployed troops—and units to the theater of operations efficiently was taxed by several factors, some of which were beyond the Air Force's control. These difficulties, however, were largely offset by the lengthy buildup period between August 1990 and January 1991. By the start of Desert Storm, the Defense Department and the Air Force had devised "work arounds" that, to a large degree, alleviated these problems. Yet even with the Air Force's flexibility in devising work arounds, the lack of available aircrews prompted the Air Force to extend allowable hours for flight times; regulations normally limit these hours because of the dangers associated with aircrew fatigue. Further, the long distances and lack of an in-theater recovery base forced the Air Force to rely extensively on Air Reserve Component volunteer aircrews before the official call-up of the Reserves was authorized. Finally, the Air Force's decision to activate partial, rather than complete Reserve units, caused confusion about command structure and administrative procedures.

**Force Structure:  
Issues Involving the Base Force**

GAO/NSIAD-93-65, Jan. 28 (32 pages).

The dissolution of the Soviet Union has touched off a national debate over future defense spending levels. Both congressional leaders and the incoming administration have proposed cuts in defense outlays that could result in a smaller military than the Base Force—the level of preparedness that the Pentagon describes as necessary to protect U.S. interests in the post-Cold War era. Although conventional force levels in the current Base Force were originally formulated before the breakup of the Soviet Union, the Pentagon believes that they still fully reflect the current international security situation. The Defense Department's (DOD) force structure decision makes several assumptions about national interests, threats, contingency requirements, military doctrine, and risk. At the heart of the

Base Force concept is the ability to deter and defend against uncertain threats in regions critical to U.S. interests, including Europe, Southwest Asia, and the Pacific. Given the relative absence of immediate military threats to U.S. interests, it is unclear how the United States should compare itself militarily to other major nations. GAO cites five key policy issues that policymakers must consider in determining the size and composition of U.S. military forces. These issues provide a framework for debating force structure issues in the future.

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## Science, Space, and Technology

### **Federal Research: Foreign Contributions to the Superconducting Super Collider**

GAO/RCED-93-75, Dec. 30 (15 pages).

The Department of Energy (DOE) may have a hard time getting the foreign contributions needed to meet its \$1.7 billion goal for the Superconducting Super Collider. As of the end of fiscal year 1992, DOE had received about \$15 million in foreign contributions consisting of pledges and contributions of labor and materials from India, Russia, and China. This amount is close to the \$20 million DOE estimated that it would receive by the end of fiscal year 1992. The Superconducting Super Collider funding profile, however, calls for DOE to obtain an additional \$1.1 billion in foreign contributions through fiscal year 1996. Although most of this money will have to come from Japan, Japanese officials have said that they are still studying the merits of the project and have yet to decide whether to contribute. If the foreign contributions do not materialize, the tab for U.S. taxpayers will increase regardless of whether Congress decides to make up for the funding shortfall or let the project's schedule slip. According to DOE, a one-year slippage in the project's overall completion schedule would boost costs by about \$400 million—or roughly \$1 million a day.

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## Social Services

### **Child Support Assurance: Effect of Applying State Guidelines to Determine Fathers' Payments**

GAO/HRD-93-26, Jan. 21 (45 pages).

Inadequate and unreliable financial support from noncustodial parents contributes to the high incidence of poverty among children living in single-parent families. During the last decade, Congress and the states

have tried to tighten child support enforcement laws. Congressional efforts have focused on a system—known as child support assurance—to make child support payments more reliable. Under this system, the government would pay a guaranteed minimum level of support should noncustodial parents become unable to support their children or if they fail to pay. This report provides an empirical analysis of one major element of a child support assurance system—child support guidelines. GAO (1) examines the income of young noncustodial fathers and the burden on them of paying the entire minimum assured benefit and (2) illustrates how many of these fathers would be required to pay the minimum assured benefit under typical child support guidelines.

## Tax Policy and Administration

### **Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud**

GAO/GGD-93-27, Dec. 30 (44 pages).

A major advantage to filing electronically with the Internal Revenue Service (IRS)—returns are sent via telephone lines and processed by computer—is that taxpayers can receive their refunds faster. The soaring popularity of electronic filing, however, has been accompanied by a rising incidence of fraudulent electronic returns; IRS identified more than 11,000 fraudulent returns in the first seven months of 1992. IRS began tightening its controls in 1992 both by beefing up its screening of individuals and firms who want to file electronically and by increasing the number of fraud detection personnel. These steps probably contributed to the rise in the number of fraudulent returns spotted in 1992. The amount of fraudulent returns that IRS identified but could not stop before issuance, however, increased by 35 percent during the first seven months of 1992 compared to the same period a year earlier—from \$6.3 million to \$8.5 million. A system of controls to totally prevent electronic filing fraud or to identify and stop all fraudulent returns before they are issued may be unrealistic. In GAO's view, however, additional controls can be implemented to further reduce IRS' vulnerability.

### **Tax Administration: Opportunities to Increase the Use of Electronic Filing**

GAO/GGD-93-40, Jan. 22 (77 pages).

The prospect of a prompt refund makes electronic filing very appealing for most taxpayers. These expedited refunds come at a price, however. Taxpayers have to pay a third party to prepare or electronically transmit the returns and must pay yet another fee if they want to obtain the expedited refund through a financial institution. The Internal Revenue Service's (IRS) research suggests that this cost deters most people from filing electronically unless they need their refunds right away. In promoting electronic filing, IRS has focused on attracting more preparers and transmitters. Although this approach has boosted the number of taxpayers filing electronically, about 90 percent of all individual income tax returns in 1992 were still filed in traditional ways. GAO believes that IRS needs to make electronic filing more appealing and more available to a broader segment of the population. IRS also needs to address various operational issues that if effectively resolved could make electronic filing more appealing and help IRS more fully realize the benefits available through this technology.

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## Transportation

### **Airline Competition: Impact of Changing Foreign Investment and Control Limits on U.S. Airlines**

GAO/RCED-93-7, Dec. 9 (75 pages).

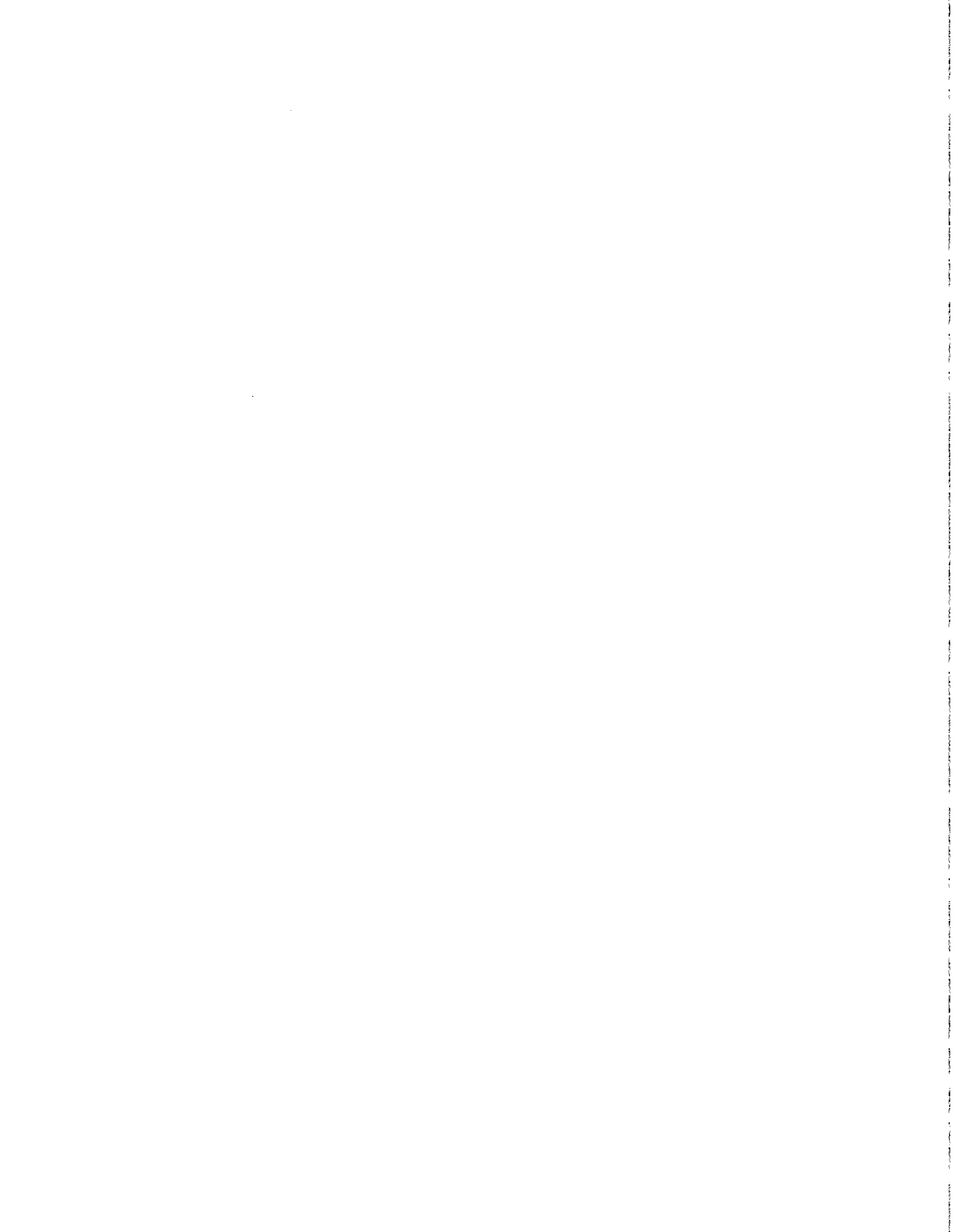
Recent bankruptcies by financially strapped U.S. airlines have heightened congressional concerns about the effects of industry consolidation on domestic and international competition. Foreign investment is a potential source of capital for U.S. airlines, but it is limited by law. This report examines the implications of relaxing existing restrictions on foreign investment in and control of U.S. airlines. GAO assesses the impacts in five key areas—domestic and international competition, national security, airline employment, and safety. GAO also examines the Department of Transportation's procedures for enforcing the current restrictions.

### **Air Traffic Control: Justifications for Capital Investments Need Strengthening**

GAO/RCED-93-55, Jan. 14 (27 pages).

The Federal Aviation Administration (FAA) launched a major effort in 1991—now called the Capital Investment Plan—to modernize air traffic control by acquiring new radar, communications, and data processing

systems designed to bolster the safety and efficiency of air travel. While acquiring these new systems, FAA has encountered serious problems in cost growth and performance as well as schedule delays. In an earlier report (GAO/RCED-91-159), GAO found that FAA's failure to prepare mission need statements for any of its major acquisitions had contributed to these acquisition problems. FAA reformed its acquisition process in 1991 by requiring a mission need statement for all new system acquisitions in the Capital Investment Plan. This report discusses whether (1) mission need statements contained evidence to support the need for new investments and (2) the statements relied on analyses of current performance of air traffic control systems.





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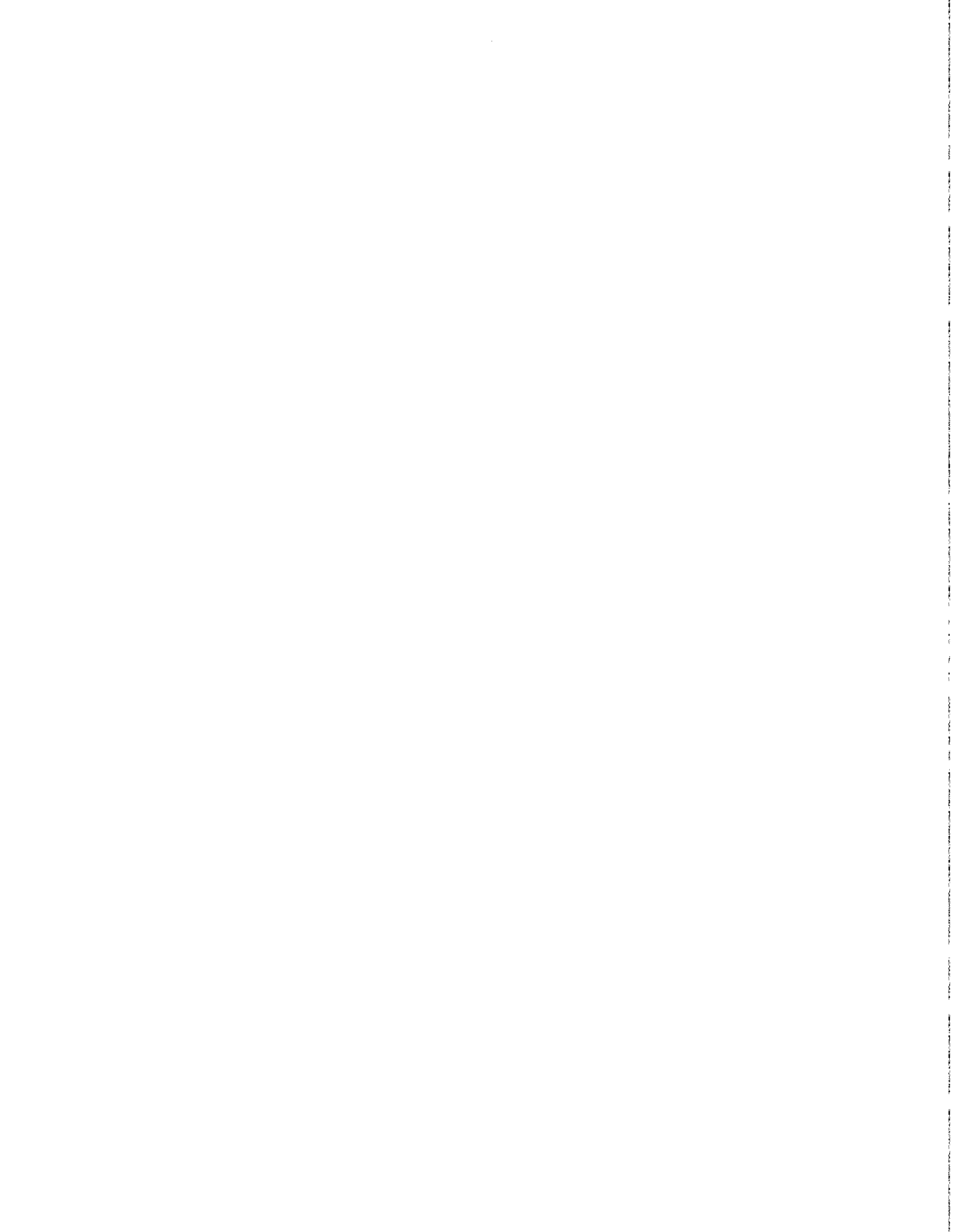
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