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# Reports and Testimony: April 1991

## Highlights

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### Banking

*GAO warns that the Bank Insurance Fund is nearing insolvency and urges a special bank assessment to rebuild the Fund. Meanwhile, GAO reports urge adoption of accounting and auditing reforms to provide better information on the condition of individual banks, as well as the institution of an "early warning" system to deal quickly with problems uncovered by bank examiners. Pages 19 and 21.*

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### Bottled Water

*Because of lax oversight by the Food and Drug Administration, bottled water may contain levels of potentially harmful contaminants that are not allowed in public drinking water. Page 2.*

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### Health Care Costs

*With health care costs spiraling out of control, the United States should consider a comprehensive framework of reform that includes strategies that have worked in other countries, including uniform payment systems and caps on total health care spending, while providing universal coverage. Page 34.*

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# Reports and Testimony: April 1991

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## Agriculture and Food

### **Food Safety and Quality: Stronger FDA Standards and Oversight Needed for Bottled Water**

GAO/RCED-91-67, Mar. 12 (25 pages).

In the wake of the February 1990 recall of benzene-contaminated Perrier, GAO looked at the Food and Drug Administration's standards for bottled water and how effective FDA has been in enforcing them. GAO concludes that FDA could do more to ensure the safety of bottled water by promptly adopting all health-based public drinking water standards and by setting standards for "mineral water." In the absence of such standards, bottlers need not test for and identify all potentially harmful contaminants now regulated in public drinking water. FDA could also improve its oversight of bottled water by strengthening its controls over industry self-testing and reporting. FDA lacks the specific authority to establish such controls, however. GAO continues to believe that FDA could achieve better oversight with the same level of resources and could reduce the potential for duplication of state efforts if it were to routinely obtain state inspection and test results. GAO summarized this report in testimony before Congress; see:

FDA Could Do More to Ensure the Safety of Bottled Water, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-91-29, Apr. 10 (12 pages).

### **Farmers Home Administration: Information on Appeals of Farm and Housing Loan Decisions**

GAO/RCED-91-106, Apr. 9 (30 pages).

In 1988 the Farmers Home Administration established a new appeals process for individuals dissatisfied with FmHA loan decisions. In response to concerns about the new process, this report examines (1) the status of FmHA farmer loan program and rural housing loan program appeals, (2) the timeliness of holding appeal hearings and implementing appeal decisions, and (3) the results of minority and nonminority appeals.

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**Farmers Home Administration:  
Sales of Farm Inventory Properties**

GAO/RCED-91-98, Apr. 9 (16 pages).

The Farmers Home Administration has over 3,400 farm properties in its inventory that were acquired from borrowers who were unable to repay their FmHA loans. This report provides information on (1) the price at which farm inventory properties have been sold or offered for sale, (2) the extent to which beginning farmers acquired these properties and whether such properties are appropriate for them, and (3) the effect that conservation easements have on the agricultural uses of FmHA properties.

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**Testimony**

Forest Service Needs to Improve Efforts to Protect the Government's Financial Interests and Reduce Below-Cost Timber Sales, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-RCED-91-42, Apr. 24 (27 pages).

GAO testified that the Forest Service has so far collected about 11 percent—or \$35 million—of the \$302 million in damages due from defaulted contracts on timber sales. The Forest Service's key contracting measures are similar to those of other timber sellers, except that the Forest Service returns or credits the down payment, or deposit, before a contract is substantially complete. As a result, the Forest Service has less security, in terms of access to funds in case of a default, to protect the federal government's interest. On a related matter, GAO testified that in fiscal year 1990, under GAO's most conservative definition of costs, the Forest Service had timber sales preparation and administrative expenses of \$35.6 million that went unrecovered as a result of below-cost timber sales. These expenses ranged as high as \$112.2 million when all costs were considered. While the Forest Service has issued a draft policy to reduce losses from below-cost timber sales, GAO believes that gaps remain in addressing this situation.

Forest Service Needs to Reduce Below-Cost Timber Sales, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Forests, Family Farms, and Energy, House Committee on Agriculture. GAO/T-RCED-91-43, Apr. 25 (16 pages).

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This testimony on below-cost timber sales discusses the current extent of these sales, assesses actions taken by the Forest Service to reduce the number of these sales, and makes recommendations on additional steps the Forest Service could take to improve the situation.

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## Budget and Spending

### **Impoundments:**

#### **GAO Review of Proposed Impoundments of FY 1991 DOD and Security Assistance Funds**

GAO/OGC-91-7, Apr. 10 (four pages).

The President's third special impoundment message for fiscal year 1991, which was submitted to Congress on February 28, reports 26 proposed rescissions of budget authority and one new deferral and revises the amount of one deferral already reported. GAO reviewed the proposed rescissions and deferrals and found them to be in accordance with the Impoundment Control Act. This letter contains GAO's findings on the impoundment message, along with detailed information on the impoundments and rescissions.

### **Budget Issues:**

#### **Budgetary Treatment of Postal Service Workers' Compensation Costs**

GAO/AFMD-91-50, Apr. 26 (12 pages).

This report examines the treatment of Postal Service workers' compensation costs. The Department of Labor makes the medical or compensation benefit payments and is later reimbursed by the Postal Service, which generates revenue to pay the benefits from postal fees. In GAO's view, creating a trust fund to reserve these and future revenues for workers' compensation benefits would not materially enhance the Service's ability to compensate Labor. GAO believes, however, that if a trust fund is established, it should be on-budget. This is consistent with GAO's general view that all federal activities, including those of the Postal Service, should be included in budget totals. The establishment of such a fund should be accompanied by the proviso that its transactions not be counted as budgetary savings under the Budget Enforcement Act of 1990. Otherwise, its transactions could be viewed as gimmicks to artificially offset outlays and allow additional spending.

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Testimony

Budgeting for the Future, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Deficits, Debt Management, and International Debt, Senate Committee on Finance. GAO/T-AFMD-91-1, Apr. 12 (17 pages).

America's status as a superpower, as well as its future standard of living, depends on budget decisions being made today, the Comptroller General testified. The budget policies of the 1980s promoted consumption at the expense of future economic well-being, and the resulting huge federal deficits now drain private savings that might have otherwise been used for productive investment in new plants and equipment. At the same time, federal spending on highways, education, research, and other public investments has been curtailed. According to the Congressional Budget Office, the federal deficit this year will hit a record \$309 billion—a figure that in reality may top \$400 billion if trust fund surpluses in areas like social security and Medicare are stripped away; interest payments on the national debt will, for the first time, become the largest item in the federal budget. While the Comptroller General views last year's budget reduction agreement as a good start toward eliminating the budget deficit, he believes that much remains to be done, both in controlling the deficit itself and in integrating the consideration of long-term economic effects into the budget process. Perhaps most importantly, an all-out effort is needed to convince decisionmakers and the American public that today's budget deficit is crucial to tomorrow's economic well-being.

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Business, Industry,  
and Consumers

**Minority Business:  
Minority Business Development Agency Needs to Address Program Weaknesses**

GAO/RCED-91-114, Apr. 16 (27 pages).

The Minority Business Development Agency, part of the Department of Commerce, awards grants to develop and increase business opportunities for racial and ethnic minorities, primarily through its Business Development Center program and to a lesser extent through its special projects program. This report looks at (1) the Agency's procedures and practices for attracting, selecting, and managing special projects and (2) the Agency's response to previously identified management deficiencies in both the Center and special projects programs.

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## Civil Rights

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### Testimony

Within-School Discrimination: Inadequate Title VI Enforcement by Education's Office for Civil Rights, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Senate Committee on Labor and Human Resources. GAO/T-HRD-91-17, Apr. 25 (10 pages).

Little is gained from school desegregation if minority and majority students are illegally resegregated within the schoolhouse, GAO testified. Currently, a disproportionate number of minority students in America's public elementary and secondary schools are placed in lower-ability classes and special education programs. The result is classrooms that are not nearly as well integrated as some school attendance figures might imply. This testimony focuses on (1) the extent of within-school discrimination in the nation's public schools; (2) the adequacy of enforcement activities regarding such discrimination by the Department of Education's Office for Civil Rights—specifically the Office's ability grouping and tracking investigations; and (3) GAO's recommendations for improving the Office's enforcement activities.

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## Education

### **Education's Library: Actions Needed to Improve Its Usefulness**

GAO/HRD-91-61, Apr. 11 (26 pages).

The research library at the Department of Education in Washington, D.C., contains between 250,000 and 300,000 volumes, including rare books dating to the 15th century. GAO found the library to be of limited usefulness. During the 1980s, the library's nonpersonnel expenditures fell by 62 percent, and beginning in fiscal year 1988, technical service contracts in areas like cataloging and collection preservation went unfunded. Today about half the volumes have not been cataloged and are inaccessible, and some 40,000 rare and historical books are in a poor state of repair, requiring rebinding or other preservation work. In addition, employees at the Department of Education rarely use the library, and many researchers are unaware of the facility and its services. The library now lacks a collection development policy, which is needed to define the expected library user and to determine acquisition and preservation practices. As a result, whether the current historical collection

of books should be maintained at the library or moved to some other facility is unclear. Whether the contemporary collections are adequate is also unclear.

**Department of Education:  
Monitoring of State Formula Grants by Office of Special Education Programs**

GAO/HRD-91-91FS, Apr. 15 (11 pages).

Within the Department of Education, the Office of Special Education and Rehabilitative Services oversees formula grants to states and territories for educating handicapped children. Under its formula grant programs, the Office awarded state education agencies over \$2 billion in fiscal year 1990. This fact sheet provides information on (1) key steps in the monitoring process for the formula grant program, such as how frequent monitoring visits are and how long it takes to issue monitoring reports to the states, and (2) follow-up by the Office to ensure that states correct problems identified in monitoring visits.

**Student Loans:  
Characteristics of Defaulted Borrowers in the Stafford Student Loan Program**

GAO/HRD-91-82BR, Apr. 26 (28 pages).

Stafford student loan volume rose from \$4.3 billion in fiscal year 1980 to \$12.3 billion in fiscal year 1990, an increase of more than 185 percent. Federal default payments to guaranty agencies also increased dramatically, from about \$144 million in fiscal year 1980 to \$2.48 billion in fiscal year 1990, an increase of over 1,600 percent. In reviewing available studies on this subject, GAO discovered nine frequently cited characteristics of student loan defaulters: they (1) had attended vocational/trade schools, (2) had low incomes, (3) had little financial support, (4) had minority backgrounds, (5) lacked high school diplomas, (6) had failed to complete their education programs, (7) had attended school for one year or less, (8) had borrowed small amounts, and (9) were unemployed when defaulting.

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## Employment

### **Labor-Management Relations: Firefighters' Concerns About Working Conditions at Fort Campbell**

GAO/GGD-91-55, Mar. 27 (16 pages).

GAO reviewed allegations of dangerous training techniques, abusive personnel practices, and related on-the-job injuries at Fort Campbell Army Base, Tennessee-Kentucky. This report discusses (1) the extent and the nature of the firefighters' job-related concerns and (2) actions taken by the Fort Campbell chain of command in response to those actions. Although Fort Campbell management has responded to specific firefighters' concerns and has tried to improve communication, working relationships and trust between management and the firefighters need further improvement. Toward that end, the installation commander reviewed firefighters' affidavits and was working with the union to reach agreement on specific conditions like duty schedules that are unique to firefighters and directly affect them.

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## Testimony

Advance Notice: Public and Private Sector Policy and Practice, by Franklin Frazier, Director of Education and Employment Issues, and by Bernard L. Ungar, Director of Federal Human Resources Management Issues, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service. GAO/T-HRD-91-19, Apr. 18 (18 pages).

GAO testified on advance notice of business closures and mass layoffs in the private sector and on reductions-in-force in the federal government. Advance notice to workers and community leaders helps in getting reemployment assistance to dislocated workers when it counts most—before or at the time of layoff. Private sector employers are now required to provide at least 60 days' notice to workers, the local community, and the state dislocated worker unit. In contrast, most federal agencies give only 30 days' notice before a RIF. As a result, GAO believes, it may be extremely difficult to mount an effective reemployment assistance program before or at the time of the RIF. As Congress considers a statutory 60-day notice requirement for federal employees affected by a RIF, GAO recommends that Congress include provisions similar to those for the private sector to ensure that federal workers receive maximum benefit from the assistance available.

Occupational Safety and Health and Child Labor Policies of the United States and Mexico, by Franklin Frazier, Director of Education and

Employment Issues, before the Subcommittee on Employment Opportunities and before the Subcommittee on Labor-Management Relations, House Committee on Education and Labor. GAO/T-HRD-91-22, Apr. 30 (16 pages).

GAO testified on occupational safety and health and child labor laws in both the United States and Mexico. GAO concludes that (1) both countries have similar laws protecting workers and (2) their enforcement strategies differ; both have vulnerabilities.

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## Energy

### **Nuclear Safety: The Defense Nuclear Facilities Safety Board's First Year of Operation**

GAO/RCED-91-54, Feb. 5 (34 pages).

The Department of Energy's nuclear weapons facilities are among the potentially most dangerous industrial operations in the world. To ensure their independent oversight and safe operation, Congress created the Defense Nuclear Facilities Safety Board. This report discusses the Board's recommendations for improving conditions at DOE's defense nuclear facilities, problems the Board has encountered in hiring technical staff, and management problems that could affect the Board's independence and credibility.

### **Nuclear Health and Safety: Environmental Problems at DOE's Idaho National Engineering Laboratory**

GAO/RCED-91-56, Feb. 12 (27 pages).

This report looks at environmental problems at the Department of Energy's Idaho National Engineering Laboratory, which has been conducting nuclear research and materials production for over 40 years. During that time, radioactive and mixed wastes generated by the Laboratory's activities were disposed of at the 890-square-mile desert site in southeast Idaho. The Laboratory has many serious environmental problems, some of which have affected DOE operations and/or the environment and many of which will be costly and time-consuming to resolve. Although DOE is trying to more effectively address many of the environmental issues at the Laboratory, it is too early to determine their effectiveness. To date, little physical cleanup has begun on the more

than 200 inactive waste sites at the Laboratory. The extent of the site's environmental problems is still being studied and remedies being determined, and compliance negotiations with the Environmental Protection Agency and the state of Idaho are continuing. GAO concludes that the success of the cleanup, which will likely cost billions of dollars, and the Laboratory's management efforts will ultimately depend on a continued environmental commitment by DOE over many years.

**Nuclear Safety:  
Status of Reactor Restart Efforts and Safety Culture Changes**

GAO/RCED-91-95, Mar. 13 (43 pages).

Three nuclear reactors at the Savannah River Site in South Carolina have been shut down since 1988 to make hardware improvements, upgrade operator qualifications, expand staffing and training, increase management involvement, and improve oversight. GAO reviewed efforts by the Department of Energy and the Westinghouse Savannah River Company, the contractor that runs the site, to restart the three reactors. This report describes (1) slippages in the restart schedule, (2) factors causing the latest delays, and (3) safety oversight changes and safety culture concerns.

**Federal Electric Power:  
Effects of Delaying Colorado River Storage Project Irrigation Units**

GAO/RCED-91-62, Mar. 22 (35 pages).

In the 1950s, the U.S. Bureau of Reclamation began to develop the water resources of the Upper Colorado River Basin. A large portion of the federal investment in this project is repaid through revenues from the sale of electricity generated by the Colorado River Storage Project's hydroelectric facilities. The price of this electricity, which is marketed by DOE's Western Area Power Administration, normally generates enough repayment revenue and is periodically recalculated to reflect updated cost information. Since 1983 the Bureau and the Western Area Power Administration have excluded from the power rate the estimated irrigation construction costs of some authorized participating projects that have not been built and are not currently planned for construction. This report looks at the effect of this exclusion on power rates and electricity revenues, repayments to the U.S. Treasury, and the ultimate development of the Upper Colorado River Basin as envisioned by Congress.

**Nuclear Nonproliferation:  
DOE Needs Better Controls to Identify Contractors Having Foreign  
Interests**

GAO/RCED-91-83, Mar. 25 (19 pages).

Foreign ownership, control, or influence over a U.S. company that does classified work for the Department of Energy presents a national security threat because of the potential for uncontrolled transfer of nuclear weapons technology or material to foreign interests. Overall, neither DOE nor its government-owned contractor-operated weapons laboratories fully comply with DOE's regulations and procedures for determining whether contractors are subject to foreign interests and for preventing associated risks. In addition, weaknesses exist in the regulations DOE uses to determine whether contractors are subject to foreign ownership, control, or influence. Finally, DOE has several internal control weaknesses that could cause further problems in safeguarding classified material. For example, all three of DOE's weapons laboratories lack data systems that can accurately identify all classified contracts.

**Nuclear Nonproliferation:  
Controls Over the Commercial Sale and Export of Tritium Can Be  
Improved**

GAO/RCED-91-90, Mar. 25 (21 pages).

Tritium is a radioactive isotope of hydrogen that can be used to enhance the explosive power of nuclear weapons. In response to reported losses of tritium gas from the Department of Energy's Oak Ridge National Laboratory, GAO reviewed the adequacy of existing controls by DOE and the Nuclear Regulatory Commission over commercial sales and exports of tritium. GAO found that DOE and the Laboratory had been slow to investigate the major shipper-receiver and internal tritium discrepancies that surfaced in the summer of 1988. Because investigations were done late and records were poor, investigators were able only to guess at possible causes for the tritium losses. While investigators concluded that the probability of tritium theft or diversion was low, they did uncover weaknesses in the Laboratory's management and DOE's oversight of the tritium operation, including a lack of rigorous inventory control practices. DOE has made several changes that it believes will improve its tritium operation, including relocation of the tritium operation to DOE's state-of-the-art facility at Mound Plant in Ohio. GAO concludes that the tritium incidents at Oak Ridge cannot be attributed to weaknesses in

NRC's licensing procedures. GAO believes, however, that setting a maximum limit on shipment size and obtaining written agreements for retransfer of tritium may provide additional protection against thefts or diversions. GAO also believes that given the expanding international market for tritium, it may be prudent for the United States to seek written agreements for recipient countries for notifying/approving of the retransfer of U.S. tritium to a third country.

**Nuclear Health and Safety:  
More Attention to Health and Safety Needed at Pantex**

GAO/RCED-91-103, Apr. 15 (17 pages).

Located near Amarillo, Texas, the Department of Energy's Pantex Plant is a contractor-operated facility that handles the assembly, stockpile testing, maintenance, modification, and retirement of nuclear weapons. GAO found that even after efforts to strengthen DOE's safety and health activities, Pantex continued to have problems in completing safety analysis reports, implementing an adequate radiation protection program, and complying with Occupational Safety and Health Administration standards. OSHA found 168 violations of worker protection standards at Pantex that could cause death or serious injury. Pantex, however, has completed less than half of its safety analysis reports. GAO concludes that the persistent safety and health problems at Pantex warrant independent, external safety oversight.

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**Testimony**

Comments on Proposed Legislation to Restructure DOE's Uranium Enrichment Program, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-91-33, Apr. 10 (14 pages).

GAO testified on three pieces of proposed legislation that would restructure DOE's uranium enrichment program as a government corporation with private financing; the ultimate goal would be the sale of the corporation to the private sector. GAO believes that each bill would take needed steps toward establishing clear objectives for the enrichment program and would allow the new corporation to better operate as a business entity. Each bill would also help resolve several long-term issues that, in GAO's view, challenge the future of the program, including a tab for environmental cleanup and decommissioning estimated to cost billions. GAO makes several specific observations on the proposed legislation. In particular, GAO believes that the bills would be strengthened by

including a \$3 billion cost recovery goal instead of relying on unspecified dividends or stock sales that may not materialize given licensing uncertainties, increased competition, and billions of dollars in liabilities.

Uranium Enrichment: GAO's Views on DOE's New Laser Enrichment Technology—AVLIS, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Energy Research and Development, House Committee on Science, Space, and Technology. GAO/T-RCED-91-23, Apr. 10 (10 pages).

GAO testified that completion of the Department of Energy's program for developing a new uranium enrichment technology—the atomic vapor laser isotope separation process (AVLIS)—would provide important information about the technical viability and cost of the plant and would keep future AVLIS deployment options open. Completion of the project would also reduce construction delays and would increase the probability of private financing. Further, if the private sector supports the plant, it is more likely that DOE will realize a return on its investment in AVLIS. Congress should recognize, however, that DOE may be unable to address all technical issues by the end of 1992 and that a new government corporation—if formed—would have to complete program activities before building a plant. Also, the future of AVLIS is intrinsically linked to legislative efforts to restructure DOE's uranium enrichment program as a government corporation. GAO supports such a move, as well as efforts to transfer AVLIS to a government corporation.

Managing the Environmental Cleanup of DOE's Nuclear Weapons Complex, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-91-27, Apr. 11 (13 pages).

Even though the cleanup of the nation's nuclear weapons complex is in its earliest stage, the Department of Energy is already encountering formidable problems, GAO testified. Major technical obstacles, like the presence of ferrocyanide in the single-shell tanks at the Hanford facility in Washington state, promise to make the cleanup a long and expensive task. Rising cleanup costs and schedule delays highlight the critical need for effective management. GAO believes that as DOE prepares to entrust the cleanup to a new set of contractors, DOE must embrace new ways of managing its contractors, including more direct control of subcontracting, more effective oversight to help reduce costs, and incentives for contractors to stay on schedule and on budget.

Nuclear Waste: Issues Affecting Land Withdrawal of DOE's Waste Isolation Pilot Project, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Energy and the Environment, House Committee on Interior and Insular Affairs. GAO/T-RCED-91-38, Apr. 16 (10 pages).

The Department of Energy plans to store limited amounts of nuclear waste at its Waste Isolation Pilot Plant, which is located on federal land near Carlsbad, New Mexico. As a result, DOE is seeking legislation that would allow it to permanently withdraw this site from public use. In the past, GAO has supported congressional, rather than administrative, action on land withdrawal because of the national significance of this policy decision. This testimony discusses (1) DOE's progress toward making final determinations that disposal of waste in the Waste Isolation Pilot Plant will comply with federal disposal regulations; (2) the reasons why Congress, rather than the Department of the Interior, should decide on land withdrawal; and (3) information that Congress needs in deciding whether DOE should be allowed to store waste in the Waste Isolation Pilot Plant before the facility has met all requirements for use as a repository.

Balanced Approach and Improved R&D Management Needed to Achieve Energy Efficiency Objectives, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Environment, House Committee on Science, Space, and Technology. GAO/T-RCED-91-36, Apr. 17 (13 pages).

The National Energy Strategy is the administration's long-term blueprint for a more efficient, secure, and environmentally safe energy future for the United States and its allies. The President is required to submit such a plan to Congress every two years. GAO testified that a well-conceived and properly executed National Energy Strategy has important economic, environmental, and national security implications for the United States. GAO questions, however, whether the strategy will succeed for several reasons. First, the current strategy does not consider the possibility that energy prices may remain low in the future, thereby reducing the urgency for developing and using energy-efficient technologies. Yet the strategy relies heavily on development and adoption of energy-efficient technologies to reduce energy consumption. Second, current energy prices do not cover all the costs to society of obtaining and using energy, such as harmful environmental effects. Higher energy prices that cut energy consumption would correspondingly reduce environmental pollution. Third, it has been reported that the strategy's energy policy was

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hampered by difficulties in forecasting technological change and by relatively poor data quality on energy demand. This raises questions about the validity of DOE's projections on the effects of implementing the strategy. In addition, GAO believes that DOE's energy conservation research and development management and planning need to be strengthened.

Nuclear Waste: DOE Expenditures on the Yucca Mountain Project, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Nuclear Regulation, Senate Committee on Environment and Public Works. GAO/T-RCED-91-37, Apr. 18 (13 pages).

GAO testified on the Department of Energy's use of funds appropriated for the scientific investigation of Yucca Mountain, Nevada. These investigations are necessary if DOE is to obtain a Nuclear Regulatory Commission license to construct and operate the site as a nuclear waste repository. According to GAO, DOE was not ready to start on-site investigations needed for licensing until 1991 because it (1) took longer than expected to complete its site investigation plan and (2) was slow to finish its program for ensuring that the investigation met NRC's quality standards. Further, DOE still cannot start investigations needed for licensing because Nevada has yet to issue essential environmental permits. DOE spent about \$48 million on the earlier drilling and core management activities, but that effort is still largely unusable for future repository licensing purposes. In addition, how much of the original design of the exploratory shaft facility will be useful in designing the new facility is still unclear. GAO's limited review of Yucca Mountain costs suggests that more detailed planning, coupled with independent technical review, could have avoided the need to repeat significant pieces of work at additional expense and delay to the project.

Nuclear Weapons Complex: Reconfiguring DOE's Weapons Complex, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-91-40, Apr. 18 (14 pages).

In this testimony, GAO characterizes the Department of Energy's January 1991 "Nuclear Weapons Complex Reconfiguration Study" as a starting point for reaching agreement on solutions to many of the complex's safety and environmental problems. Key decisions still need to be made about how big the complex should be, where to relocate plutonium operations, what technologies to use for new tritium production, and

what to do with excess plutonium. The total cost for reconfiguring and modernizing the complex is still uncertain, and some management issues remain unresolved. Congress faces a difficult task in making these decisions given the conflicting demands for scarce resources in a time of growing budget deficits and war in the Persian Gulf.

Nuclear Health and Safety: Environmental, Health, and Safety Practices at Naval Reactors Facilities, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-91-24, Apr. 25 (14 pages).

The Naval Reactors Program—a joint Department of Energy/Navy effort—develops the nuclear propulsion plants used in Navy vessels and trains naval personnel to operate reactor plants. GAO testified on the Naval Reactor Program's environmental, health, and safety practices at its research and development facilities: the Knolls Atomic Power Laboratory near Schenectady, New York; the Bettis Atomic Power Laboratory near Pittsburgh, Pennsylvania; and their related reactor sites. Allegations had been raised about employee overexposure to radiation, reactor safety, asbestos problems, and improper management of areas containing radioactive and hazardous waste, and GAO's testimony focuses on these and related concerns.

Progress Made in Implementing the Alternative Motor Fuels Act of 1988, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-91-44, Apr. 25 (19 pages).

The Department of Energy's progress in implementing the Alternative Motor Fuels Act of 1988 has been slower than anticipated since program funding began in October 1989, GAO testified. GAO discusses the status of implementing four major provisions of the 1988 legislation: (1) the federal light-duty vehicle demonstration program, (2) the corporate average fuel economy credits for the manufacture of alternative-fueled vehicles, (3) the commercial application program to study the use of alternative fuels in heavy-duty trucks, and (4) the program for testing alternative-fueled buses.

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## Environmental Protection

### **Pesticides:**

#### **EPA's Use of Benefit Assessments in Regulating Pesticides**

GAO/RCED-91-52, Mar. 7 (21 pages).

GAO reviewed the Environmental Protection Agency's practices for considering the benefits of pesticide use on foods. EPA considers the value of increased crop yields attributable to the use of one chemical pesticide over another as the primary measure of pesticide benefits. In setting tolerances for raw food and in making decisions on the registering of pesticides, EPA mainly considers perceived risks to health and the environment. Pesticide benefits play a larger role when EPA reviews already established pesticide tolerances and registration, although risks are still a main concern. EPA also assesses benefits, albeit less systematically than during a special review, when it moves to suspend a pesticide's registration on an emergency basis and when it considers granting exemptions or waivers from standard pesticide registration requirements.

### **Water Pollution:**

#### **States' Progress in Developing State Revolving Loan Fund Programs**

GAO/RCED-91-87, Mar. 19 (23 pages).

State Revolving Loan Fund programs were established by the Water Quality Act of 1987 as a primary source of financing for wastewater treatment facilities at the state level. This report discusses how states have implemented State Revolving Loan Fund programs and plan to take advantage of the flexibility in the statutes and regulations to design programs that meet their particular needs. Certain regulatory and statutory changes may increase the effectiveness of state programs. In testimony before Congress that summarized this report, however, GAO expressed concern that the programs would not meet needs in disadvantaged communities and that the limited resources available would make it hard to meet needs in other communities; see:

Water Pollution: Issues Concerning State Revolving Loan Fund Programs, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Water Resources, House Committee on Public Works and Transportation. GAO/T-RCED-91-35, Apr. 17 (18 pages).

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## Financial Institutions

### **Financial Markets: Active Oversight of Market Automation by SEC and CFTC Needed**

GAO/IMTEC-91-21, Apr. 2 (13 pages).

Automation is playing an increasing role in trading and post-trading operations on U.S. securities and futures markets. Yet due to a lack of adequate security and other internal control weaknesses over these automated systems, the markets are needlessly risking less responsive and secure operations, disruptions in service, and incorrect processing of data. The Securities and Exchange Commission and the Commodity Futures Trading Commission have taken preliminary steps to oversee market systems but agree that they lack the technical capabilities that GAO views as necessary to control the risks of automation. SEC has decided that it is not cost-effective to established this capability, and although CFTC is trying to establish the needed technical capability, it acknowledges that limited resources and other priorities may impede its efforts. GAO believes that until both regulators move to more aggressively establish the technical oversight capabilities to control the risks of automation, they cannot ensure that all participants in the nation's markets will receive efficient, fair, and equitable treatment.

### **Bank Insurance: "Loan Splitting" Proposal Illustrates Need to Tighten Accounting Rules to Prevent Abuses**

GAO/OCG-91-1, Apr. 3 (six pages).

In this letter, GAO expresses reservations about a recent proposal by the Office of the Comptroller of the Currency, the Federal Reserve System, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation on "loan-splitting" treatment for nonperforming loans. Under this concept, a nonperforming loan is returned to an accrual status by writing off the uncollectible part of the loan and allowing the remaining portion of the loan to be treated as a performing loan with interest income being recorded. In GAO's view, current accounting principles allow management too much leeway in accounting for troubled loans and related reserves, resulting in failure to recognize losses in a timely manner and in misleading financial reports. GAO is concerned that the loan-splitting proposal could compound these problems and could open the door for additional abuses. GAO is also concerned about the creation of any impression that examiners have been told to "lighten up" on the application of the accounting principles at a time when they should be

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tightened. If the proposal results in a loosening of accounting rules, regulators may find it increasingly difficult to identify and react to troubled institutions and to protect the insurance funds and the taxpayers. GAO believes that the consequences could be extremely serious considering the Bank Insurance Fund's condition and the continuing high number of bank and thrift failures.

**Bank Supervision:  
Prompt and Forceful Regulatory Actions Needed**

GAO/GGD-91-69, Apr. 15 (83 pages).

Mounting bank failures and the potential insolvency of the Bank Insurance Fund have spurred efforts to reform the deposit insurance system. Central to a healthy deposit insurance system is the process by which regulators identify and, to the extent possible, remedy unsafe and unsound banking practices. GAO looked at how regulators enforced safe and sound banking practices at 72 financial institutions and found that in about half the cases, the regulatory process failed to improve bank capital levels and to correct the underlying cause of bank capital problems. The three federal bank regulators—the Office of the Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation—now have wide discretion in choosing enforcement actions of varying severity. Furthermore, they share a common philosophy of trying to work informally with banks to resolve their difficulties. These practices failed to correct the problems regulators had identified in GAO's sample cases. In addition, bank regulators did not always use the most forceful actions available to correct unsafe and unsound banking practices. In GAO's view, meaningful deposit insurance reform will not succeed without an enforcement process that is more predictable, more credible, and less discretionary than the approach now used. GAO believes that Congress must require bank regulators to implement a trip wire approach to bank regulation that obligates them to take early and forceful action tied to specific unsafe banking practices.

**Failed Banks:  
Accounting and Auditing Reforms Urgently Needed**

GAO/AFMD-91-43, Apr. 22 (60 pages).

Successful bank regulation depends on knowing what banks are really worth. However, internal control weaknesses continue to be a significant

cause of bank failures and the regulatory early warning system meant to flag troubled thrifts is seriously flawed. Call reports prepared for 39 banks that failed in 1988 and 1989 did not provide regulators with advance warning of the magnitude of deterioration in the banks' financial condition. The 39 bank failures are expected to cost the Bank Insurance Fund \$8.9 billion, including losses of \$7.5 billion by four banks with assets over \$1 billion. The corporate governance system upon which successful regulation depends is also seriously flawed, in GAO's view. Of the 39 banks, 33 have serious internal control problems that regulators cited as contributing significantly to their failure. Many of the 39 banks did not obtain independent audits in their last year of operation before failing, a situation that can help conceal financial problems. Accounting and auditing reforms are urgently needed and should be part of any plan to reform deposit insurance or recapitalize the Bank Insurance Fund. The Comptroller General summarized this report in testimony before Congress; see:

Accounting and Auditing Reforms Are Urgently Needed and Essential to Any Plan for Recapitalizing the Bank Insurance Fund or Deposit Insurance Reform, by Charles A. Bowsler, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-AFMD-91-3, Apr. 23 (32 pages).

**Securities Industry:  
Strengthening Sales Practice Oversight:**

GAO/GGD-91-52, Apr. 25 (46 pages).

Investor losses due to purchases of low-priced securities—known as penny stocks—from unscrupulous broker-dealers underscore the need for oversight by the Securities and Exchange Commission and by self-regulatory organizations. SEC could strengthen its oversight program by improving its coverage of self-regulatory organization inspections, methods for evaluating the effectiveness of broker-dealer examinations by self-regulatory organizations, and collection and use of customer complaint and management information. Strengthening its sales practice oversight program may help SEC to more quickly identify and correct problems in self-regulatory organization and broker-dealer programs. Left uncorrected, these problems could contribute to investor losses from abusive sales practices, like high-pressure sales techniques and false claims.

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**Futures Markets:  
Strengthening Sales Practice Oversight**

GAO/GGD-91-41, Apr. 25 (49 pages).

Since the market crash of 1987, a number of concerns have been raised about the protection afforded investors in the nation's financial markets, including those for financial futures. The Commodity Futures Trading Commission's oversight of futures industry sales practices needs strengthening to afford investors additional protection against sales practice abuses. This report discusses improvements needed in CFTC reviews of self-regulatory organizations, CFTC oversight of member firms audits by self-regulatory organizations, and industry regulation of excessive sales commissions.

**Thriffs and Housing Finance:  
Implications of a Stricter Qualified Lender Test**

GAO/GGD-91-24, Apr. 30 (76 pages).

The widespread failure of savings and loans during the 1980s led to a serious reevaluation of the purpose and the regulation of the industry. The Financial Institutions Reform, Recovery, and Enforcement Act provides for a stricter qualified thrift lender test that, effective July 1991, will require thriffs to hold an increased percentage of their assets in housing-related investments like residential mortgages and mortgage-backed securities. GAO evaluated the implications of a stricter qualified thrift lender test. In GAO's view, it is not evident that raising the thrift lender test from 60 to 70 percent will reduce industry risk. A more stringent test may, in fact, increase the risk. GAO is unsure what test level will keep the thrift industry safe and profitable, thereby minimizing risks to the taxpayer. Given possible increased risks associated with raising the qualified thrift lender test to a higher level, however, Congress may wish to leave the test unchanged at the current 60-percent level.

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**Testimony**

Rebuilding the Bank Insurance Fund, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-91-25, Apr. 26 (27 pages).

The Comptroller General testified that the Bank Insurance Fund stands at a crossroads. Paying for the failure of 600 banks over the past three years has nearly exhausted the Fund's reserves; Fund reserves have reached an all-time low and could go lower. Unless rebuilt, the Fund will almost certainly be insolvent by next year as more troubled banks fail. The administration's proposal for bailing out the Fund would allow the Federal Deposit Insurance Corporation to borrow up to \$70 billion—\$25 billion from the Federal Reserve banks to finance fund losses from failed bank resolutions and \$45 billion from other sources for working capital needs. GAO is concerned that instead of building up equity in the Fund, this "borrow-as-you-go" approach merely extends a line of credit financed by the industry but, in effect, consigned by the U.S. taxpayer. GAO believes that the banking industry should pay for the recapitalization of the Fund and that maintenance of Fund reserves at acceptable levels should continue as an industry responsibility. Thus, GAO recommends that the Fund be rebuilt with special assessments on banks. The Comptroller General also underscored the importance of adopting other reforms proposed by GAO to reduce the industry's longer-run cost of deposit insurance. These reforms include an early intervention—or trip wire—supervisory system that will lead to the timely closure of failing banks and to the accounting, financial reporting, and auditing reforms that are necessary to make such a system effective and strengthen the corporate governance system.

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## Financial Management

### **Lease Refinancing: A DOD-Wide Program Is Not Currently Feasible**

GAO/AFMD-91-39, Mar. 14 (32 pages).

GAO has found that as a rule, outright purchase rather than leasing is the least expensive way to acquire equipment for the government. An Army-type lease-refinancing program, which uses the principles of a master lease, however, appears to be a reasonable approach to reducing the financing costs associated with existing leases. GAO looked at the feasibility of implementing an Army-type equipment lease program throughout the Department of Defense and found that equipment leasing had declined and that DOD did not have the necessary financial information readily available for a lease-refinancing program. In addition, DOD's systems do not record the information needed to financially manage leases, and available data are not always reliable.

**Financial Audit:  
Resolution Funding Corporation's 1989 Financial Statements**

GAO/AFMD-91-49, Apr. 2 (21 pages).

GAO believes that the Resolution Funding Corporation's financial statements, together with Price Waterhouse's opinion and review of that work, provide Congress with a dependable basis for evaluation the Funding Corporation's financial position. Although the Funding Corporation ended 1989 with a capital deficit and will continue to report year-end deficits, it will be able to fund bond principal and interest payments when due because of the funding mechanisms provided by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The Funding Corporation's deficit will eventually be eliminated as the value of its investment in Treasury securities increases to maturity value over time. However, using the Funding Corporation to raise funds for the Resolution Trust Corporation has resulted in the Treasury's incurring about \$3 billion in interest costs that could have been avoided. Additional unnecessary interest costs will be incurred if the Funding Corporation, or a similar entity, is used to raise future funds for RTC.

**Financial Audit:  
Resolution Trust Corporation's 1989 Financial Statements**

GAO/AFMD-91-57, Apr. 4 (27 pages).

This report presents GAO's opinion on the financial statements of the Resolution Trust Corporation for the period August 9, 1989, through December 31, 1989, disclosing significant uncertainties concerning RTC's cost estimates for resolving institutions. As a result, actual resolution costs could be higher than estimated. RTC has been given \$50 billion to resolve failed savings institutions and to pay its administrative expenses. However, RTC's own resolution cost estimates have ranged as high as \$132 billion, and RTC has requested an additional \$30 billion to permit resolution activities to continue through the end of the fiscal year. While GAO agrees that RTC should be given the funds necessary to continue resolutions in a timely and orderly fashion, GAO does not agree with RTC's request for an "open checkbook." GAO believes that providing RTC funds as part of the annual budget and appropriations process would retain important congressional oversight control mechanisms and, therefore, would provide the best funding solution.

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**Financial Audit:  
Financial Reporting and Internal Controls at the Air Logistics  
Centers**

GAO/AFMD-91-34, Apr. 5 (48 pages).

GAO reviewed the Air Force Logistics Command's financial management operations relating to inventories at the Air Logistics Centers. This report discusses internal control and financial reporting improvements needed within the Command. While Command managers are responsible for billions of dollars in appropriations and inventories, the Command's internal controls and accounting procedures fall short in providing adequate and reliable financial information for effective management and reporting of these resources.

**Financial Audit:  
House Interparliamentary Groups' Financial Statements for 1989  
and 1988**

GAO/AFMD-91-51, Apr. 18 (23 pages).

GAO audited the balance sheets of the House of Representatives Mexico-United States Interparliamentary Group, Canada-United States Interparliamentary Group, United States-European Community Interparliamentary Group, and the United States Group of the North Atlantic Treaty Parliamentary Conference for 1989 and 1988. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the four interparliamentary groups for 1989 and 1988 and the results of their operations and cash flows for those years in conformity with generally accepted accounting principles.

**Financial Audit:  
Congressional Award Foundation Financial Statements for 1989**

GAO/AFMD-91-25, Apr. 30 (14 pages).

GAO audited the statement of financial position of the Congressional Award Foundation for 1989 and the related statement of revenue and expenses and changes in unrestricted fund balance for that year. In GAO's opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation for 1989 and the results of its operations and the change in its fund balance for that year, in conformity with generally accepted accounting principles. In a

December 1987 report, GAO expressed doubts about the Foundation's ability to continue as a going concern. Since then, long-term debts have been slashed from \$300,000 to about \$16,000 and the negative unrestricted balance from almost \$333,000 to about \$31,500. This was achieved by cutting operating expenses in areas like salaries and rents and by obtaining forgiveness on notes payable totaling \$300,000. By responding to past GAO recommendations for improving operations, the Foundation has significantly improved its financial position, as well as its image as a fiscally responsible entity. In a related matter, GAO found that the Foundation lacked adequate control over fixed assets and lacked written accounting policies and procedures.

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## Testimony

Bureau of Indian Affairs' Efforts to Reconcile and Audit the Indian Trust Funds, by Jeffrey C. Steinhoff, Director of Civil Audits, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-AFMD-91-2, Apr. 11 (18 pages).

The Department of the Interior manages the Indian trust funds, which at the end of fiscal year 1990 included about 2,000 tribal and 300,000 individual Indian money accounts with balances totaling over \$2 billion. Money in the trust funds is derived from a variety of sources: payments of claims; oil, gas, and mineral royalties; land use agreements; and investment income. Over the years, audit reports have cited many weaknesses in the control and oversight of these accounts by the Bureau of Indian Affairs. As a result, the Bureau has lost credibility with the account holders. GAO testified on Bureau efforts to reconcile and audit the Indian trust funds, a major undertaking scheduled to begin in the summer of 1991. The Bureau will try to identify and correct balances in the accounts, many of which are 50 to 100 years old—a task GAO compares with determining the correct balance of a personal checking account that was active for over 50 years but never reconciled periodically.

First Audit of the Forest Service's Financial Statements, by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Subcommittee on Forests, Family Farms, and Energy, House Committee on Agriculture. GAO/T-AFMD-91-4, Apr. 25 (eight pages).

Since the 1980s, GAO has been urging major federal agencies to develop auditable financial statements. GAO testified that Forest Service management has taken an important first step in developing a first set of

agency financial statements and has shown commitment to improved financial management. However, GAO discovered significant internal control weaknesses and system design problems that undercut the reliability of the Service's financial data and its ability to prepare accurate and reliable internal reports. These reports are essential if Service officials are to effectively manage assets like property and timber, measure the results of operations, and control funds. GAO underscored the need for continued management commitment to provide needed control over the financial management of Forest Service operations and to facilitate compliance with the financial reporting requirements of the Chief Financial Officers Act.

Defense's Planned Implementation of the \$77 Billion Defense Business Operations Fund, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-AFMD-91-5, Apr. 30 (37 pages).

The Defense Department has several initiatives under way aimed at streamlining its operations and improving efficiency. One such effort is the proposed Defense Business Operations Fund, which—with \$77 billion in operating costs and 390,000 employees—would dwarf most private companies and government agencies. GAO testified that while developing the total costs of DOD's support operations is a sound idea, implementation of the Fund is premature. DOD needs to clearly explain how the Fund would operate and to clearly show how Congress would maintain its oversight and control over the Fund's activities and over the appropriateness of the Fund's customers. DOD also needs to start correcting weaknesses in the military services' industrial and stock fund systems. In addition, the Fund must be in a position to accurately bill all customers. Unless customers are confident that the costs being charged are accurate and reliable, they will have little or no incentive to reduce their costs of operations.

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## Government Operations

### **Information Security: Federal Agency Use of Nondisclosure Agreements**

GAO/NSIAD-91-106FS, Jan. 18 (32 pages).

The use of classified nondisclosure agreements, which are intended to protect the United States against unauthorized disclosures of classified national security information, has long been controversial. Concerns

raised have addressed the President's ability to protect national security information, Congress' ability to obtain the information it needs to oversee federal agencies, and an individual's right to free speech. GAO reviewed federal agencies' implementation of classified information non-disclosure agreements, including Standard Forms 312 and 4355, and pre-publication reviews of employee manuscripts and other submissions that might contain classified information. This fact sheet describes (1) the number and the cost of nondisclosure agreements executed by federal and contractor employees, (2) the number and the cost of prepublication reviews done by federal agencies, and (3) the expenditures made by the Information Security Oversight Office to implement Standard Form 312.

**Indian Programs:  
Navajo-Hopi Resettlement Program**

GAO/RCED-91-105BR, Mar. 6 (20 pages).

The 1974 Navajo-Hopi Land Settlement Act calls for final settlement of a land dispute that originated more than a century ago between the Navajo and Hopi tribes in Arizona. Under the law, tribal members residing on lands given to the other tribe are required to relocate. This briefing report describes the status of the relocation program, the problems faced by relocatees, and the future of those Navajos who are resisting relocation. GAO also discusses the status of a land dispute in the Bennett Freeze Area in the western section of the Navajo Reservation, which is not covered by the 1974 act.

**Government Vehicles:  
Officials Now Rarely Receive Unauthorized Home-to-Work  
Transportation**

GAO/GGD-91-27, Mar. 15 (20 pages).

While cases of unauthorized home-to-work transportation of high-level federal officials have occurred, GAO found that routine home-to-work transportation is generally confined to approved individuals. The instances of unauthorized use that GAO identified tended to be isolated or infrequent occurrences and did not constitute a regular pattern of abuse. All 13 agencies reviewed kept required vehicle logs or other records like notations on an appointment calendar for home-to-work transportation. However, 10 of the 13 agencies failed to notify the relevant congressional committees about home-to-work transportation

arrangements for the principal deputies. As a result, the committees have been hampered in their oversight responsibility for use of government funds. As of September 1990, none of the agencies had established rules for the use of government-owned or leased vehicles outside of official business; Congress may wish to monitor development and implementation of such rules.

**General Services Administration:  
Status of Management Improvement Efforts**

GAO/GGD-91-59, Apr. 3 (22 pages).

This report examines progress made by the General Services Administration in implementing recommendations made by GAO in its November 1989 general management review of GSA. Those recommendations focused on improving GSA's performance in managing the federal government's billion dollar real estate portfolio and providing various facilities, goods, and services. GSA has started to implement many of the recommendations, especially in the areas of executive leadership, facilities management, and management information. More remains to be done, however, especially in the human resources area. Also, because several of the recommendations are still open and long-term efforts are needed to implement many of them, it is critical that GSA stay committed to and provide sustained attention to GAO's recommendations.

**Peer Review:  
Compliance With the Privacy Act and Federal Advisory Committee Act**

GAO/GGD-91-48, Apr. 17 (30 pages).

Federal agencies that fund external grant requests in the arts, the sciences, and the humanities often use outside experts or professional "peers" to review grant applications and to help the agency decide which projects to fund. The Privacy Act prohibits public disclosure of written records kept in individual applicant files, while the Federal Advisory Committee Act closes peer review panel meetings to the public and prohibits public disclosure of any personal information in the minutes of panel meetings. This report examines how six agencies—the National Science Foundation, the National Institutes of Health, the Department of Health and Human Services, the Department of Energy,

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the Department of Veterans Affairs, the National Oceanic and Atmospheric Administration, and the National Endowment for the Humanities—complied with the Privacy Act and the Federal Advisory Committee Act in their peer review processes.

**GSA Travel Services:  
Small Disadvantaged Businesses Seldom Receive Contracts**

GAO/GGD-91-58BR, Apr. 26 (17 pages).

In response to concerns that small businesses and small disadvantaged businesses seldom receive government travel contracts, GAO looked at how the General Services Administration has been contracting with travel agencies to provide travel arrangements for government employees. GAO found that small disadvantaged businesses have had little success in winning GSA travel service contracts. During the past three fiscal years, small businesses received about nine percent of the estimated travel service contracts awarded by GSA, while small disadvantaged businesses received about one percent of the estimated dollar value. In an effort to increase participation by small and small disadvantaged businesses, (1) the Air Force has created smaller acquisitions by allowing installations to contract for their own travel services and (2) the Army has required offerors to submit subcontracting plans. These options are available to GSA if it chooses to give small and small disadvantaged firms greater opportunity for travel service contracts.

**Federal Pay:  
Private Sector Salary Differences by Locality**

GAO/GGD-91-63FS, Apr. 29 (56 pages).

The concept of “locality pay,” which will be applied to federal workers beginning in 1994, links government pay rates to prevailing nonfederal salary levels in each geographical area. This fact sheet indicates how private sector and federal salary rates compare, particularly in many areas with the largest number of federal white-collar employees. GAO found that the private sector overall paid more than the federal government in each of the 22 metropolitan statistical areas it reviewed. However, the size of the differential varied from area to area, ranging from six percent in San Antonio to 39 percent in San Francisco. In nine of the 22 areas, average federal pay trailed private sector pay by more than 25 percent. In only three of the 22 areas was the average private sector pay

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advantage less than 15 percent. The data also revealed a substantial difference in federal/private sector pay competitiveness within the metropolitan statistical areas across salary grades and across jobs within grades.

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## Testimony

Christopher Columbus Quincentenary Jubilee Commission, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-91-24, Apr. 23 (18 pages).

The 500th anniversary of Columbus' first voyage to the New World is less than 18 months away, yet the organization charged with commemorating this event—the Christopher Columbus Quincentenary Jubilee Commission—has lived up to few of Congress' expectations, and its financial position is precarious. The Commission has had several setbacks, including a spate of negative publicity, the withdrawal of the primary corporate sponsor, and the resignation of top Commission officials. What should be the “home stretch” for the Commission has become “operation boot strap” to salvage whatever benefits are possible in the remaining time possible, GAO testified. While steps taken by the new management to improve the Commission's financial management appear reasonable, clearly this approach will require funding far in excess of appropriated funds. In GAO's view, the success or failure of the Commission's new management is directly contingent upon the ability to raise these new funds—quickly—from private sources. GAO recommends close congressional oversight of the Commission's future activities and progress.

Immigration Management: Strong Leadership and Management Reforms Needed to Address Serious Problems, by J. William Gadsby, Director of Federal Management Issues, before the Subcommittee on International Law, Immigration, and Refugees, House Committee on the Judiciary. GAO/T-GGD-91-23, Apr. 24 (eight pages).

The Immigration and Naturalization Services faces the difficult challenge of stopping illegal entry into the United States while also providing service to people seeking immigration benefits. Over the past decade, weak management systems and inconsistent leadership have allowed serious problems to go unresolved. While INS has addressed cash and debt management problems and has hired a total quality management firm to assist in establishing a framework to develop a strategic

vision, much remains to be done before INS will have fixed its fundamental management problems.

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## Health

### **Community Health Centers: Hospitals Can Become Centers Under Certain Conditions**

GAO/HRD-91-77FS, Mar. 22 (nine pages).

This fact sheet provides information on whether hospitals that have closed or are at risk of closing can be converted to community health centers. The Department of Health and Human Services provides grants to nonprofit private organizations to plan, develop, and operate these centers in urban and rural areas for medically underserved people. GAO concludes that converting a hospital to a community health center is not prohibited by law or regulation. While GAO did not identify any instances in which HHS had approved grant funds to convert a hospital to a community health center, at least two centers had acquired and renovated closed hospitals in order to expand their services to needy individuals. Although HHS approved the conversions, the costs were underwritten by state and local governments and/or a loan obtained by the county.

### **Medicare Claims Processing: HCFA Can Reduce the Disruptions Caused by Replacing Contractors**

GAO/HRD-91-44, Apr. 4 (47 pages).

Beginning in December 1988, Medicare beneficiaries and health care providers in Georgia and Florida encountered serious payment delays and errors after the program changed its claims-processing contractor in Georgia and its data-processing subcontractor in Florida. This report (1) looks at the impact of these changes on beneficiaries and providers and (2) identifies actions the Health Care Financing Administration should take to reduce the impact of any future changes.

### **Medicare: Millions in Disabled Beneficiary Expenditures Shifted to Employers**

GAO/HRD-91-24, Apr. 10 (42 pages).

The Omnibus Budget Reconciliation Act of 1986 made Medicare the secondary payer for medical expenses incurred by disabled beneficiaries

covered by large group health plans. This report addresses cost savings associated with this legislation and effects on employment and health insurance coverage. GAO concludes that the secondary payer provision has succeeded in shifting considerable Medicare expenditures to large group health plans without adversely affecting disabled beneficiaries or their families. In addition to suffering little adverse effect from the provision, the disabled are safeguarded by rules proposed by the Health Care Financing Administration in March 1990 that discourage employers from discriminating against the disabled and their families in regard to health insurance. However, future changes to employer health plans could harm disabled individuals with employee status. In proposed regulations, HCFA has identified a broad category of individuals subject to the secondary payer provision because of an active employee status. GAO is concerned that HCFA's proposed factors indicative of employee status stretch the ordinary understanding of the term "employee" and will prompt employer efforts to avoid meeting them. As a result, the number of individuals with employee status could decline by an estimated 25 percent annually.

**Medicare:  
HCFA Should Improve Internal Controls Over Part B Advance  
Payments**

GAO/HRD-91-81, Apr. 17 (seven pages).

During a recent review of Medicare claims-processing contractor changes, GAO discovered that the controls for advance payments that are sometimes made for physician services, medical equipment, and suppliers under Part B do not ensure that the people approving these payments have clear, specific authority to do so. This report brings this weakness to the attention of the Administrator of the Health Care Financing Administration. HCFA has not issued guidance to its regional offices or contractors on Part B advances, and GAO recommends that HCFA determine whether advance payments under Part B are appropriate and, if so, develop regulations and instructions on such payments.

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**Medicare:  
Variations in Payments to Anesthesiologists Linked to Anesthesia  
Time**

GAO/HRD-91-43, Apr. 30 (74 pages).

Medicare costs for physician anesthesia services grew from \$757 million in fiscal year 1985 to \$1.2 billion in fiscal year 1988. In response to congressional concerns about these increased costs and the appropriateness of anesthesia times billed, GAO (1) reviewed the average anesthesia times claimed for payment for these services and compared them with average surgical times, (2) verified reported anesthesia times from patient medical records, and (3) examined the appropriateness of the anesthesia times Medicare recognizes for payment purposes. Unexplained variations in anesthesia time, the resulting differences in anesthesia payments, and the inability to validate anesthesia time lead GAO to conclude that the Department of Health and Human Services should adopt an alternative to basing Medicare payment on an anesthesiologist's reported anesthesia time. GAO also believes that payment for anesthesia services should be consistent with payment for other physician services.

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**Testimony**

Long-Term Care Insurance: Risks to Consumers Should Be Reduced, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-91-14, Apr. 11 (25 pages).

By June 1990, about 1.6 million Americans had bought long-term care insurance as a protection against the devastating costs of nursing home care. Although state standards and long-term care insurance policies have improved over the past five years, consumers still face considerable risks in purchasing policies. Due to the absence of uniform terms and definitions, it is hard or even impossible for a consumer to understand when benefits will be paid or to compare the benefits and value of policies. Consumers also risk unpredictable premium hikes that can make it difficult for them to keep their policies. Yet if the policies are allowed to lapse, consumers lose the money they invested in premiums. GAO believes that Congress should consider passing legislation—as was done in the case of Medigap insurance—that would set minimum standards for long-term care insurance. This testimony presents several options for expanding and strengthening existing standards.

U.S. Health Care Spending: Trends, Contributing Factors, and Proposals for Reform, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Ways and Means. GAO/T-HRD-91-16, Apr. 17 (25 pages).

Today, over 12 percent of U.S. national income goes for health care services, and by the year 2000, this piece of the pie is projected to grow to nearly 15 percent of the gross national product. At that point, \$300 billion will have been added to national health spending—an amount equivalent to the current defense budget. The Comptroller General concludes that piecemeal reforms, whether undertaken by business or the government, are unlikely to rein in the growth of national health spending substantially. If the spiral in health care is to be slowed, reform must be comprehensive. GAO believes that any reform should include three elements found in approaches used by other countries to successfully restrain health care spending: (1) insuring each individual; (2) instituting uniform payment rules for health care services; and (3) setting caps on total expenditures for major provider categories, like hospitals, physicians, and technology.

Health Care: Limited State Efforts to Assure Quality of Care Outside Hospitals, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Regulation, Business Opportunities, and Energy, House Committee on Small Business. GAO/T-HRD-91-20, Apr. 29 (11 pages).

Over the past 20 years, medical and diagnostic procedures that were traditionally done in hospitals have increasingly been done in “free-standing” facilities, like ambulatory care centers and emergency centers. Relocating complex and risky medical procedures, like surgeries and radiology services, to these freestanding facilities has prompted concerns about the quality of care provided. GAO testified that states that license freestanding providers generally establish minimum quality assurance requirements, conduct on-site inspections to determine compliance with requirements, and have the authority to impose sanctions against providers when necessary. States have been slow, however, to license freestanding providers. Further, they have limited plans to expand licensing requirements. Unless the Department of Health and Human Services or a reputable private accrediting organization is monitoring an unlicensed freestanding facility, consumers have little assurance about the quality of care being offered.

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## Housing

### **Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses**

GAO/RCED-91-40A (84 pages) and GAO/RCED-91-40B (79 pages), Mar. 26.

While over 3 million lower-income households now receive rental housing assistance through the Department of Housing and Urban Development's public housing and section 8 certificate programs, concerns have arisen that many of these households are not receiving adequate allowances to pay their utility bills. The first volume of this report examines how utility allowances are provided to households and the extent to which the allowances cover utility costs. It also discusses benefits and drawbacks of two alternatives for ensuring that a greater proportion of assisted households pay 30 percent of their adjusted income for rent and utilities. The second volume presents detailed results on utility allowance practices from a nationwide survey of public housing agencies. It also contains the results of GAO's review of household rent payments, utility allowances, and utility costs for an estimated 9,500 households at six housing agencies.

### **Property Disposition: Information on Federal Single-Family Properties**

GAO/RCED-91-69, Mar. 29 (37 pages).

The Federal Housing Administration, the Department of Veterans Affairs, and the Farmers Home Administration must dispose of single-family properties that they acquire when the borrowers cannot repay home mortgages insured, guaranteed, or made by one of these agencies. A fourth agency, the Resolution Trust Corporation, disposes of single-family properties as part of its job of managing and disposing of assets of failed savings and loans. This report presents information on (1) the number of single-family properties acquired and sold, the losses associated with those sales, and current inventories and their geographic distribution and (2) the procedures used by each agency to manage and sell single-family properties.

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## Income Security

### **Social Security: Restoration of Telephone Access to Local SSA Offices**

GAO/HRD-91-76FS, Mar. 5 (eight pages).

In an effort to give local field offices more time for complex work and walk-in clients, the Social Security Administration began a toll-free 800 number telephone service nationwide in October 1988 that restricted the public's access to local office phone numbers. Legislation passed in 1990, however, requires SSA to publish phone numbers and addresses for affected offices and to restore the public's phone access to local offices by May 1991. This fact sheet provides information on (1) SSA's policy for directing the public to either the nationwide 800 telephone service or local field offices, (2) SSA's plans for publishing local office numbers and addresses, (3) changes in available telephone lines and equipment in affected offices since September 1989, and (4) staffing levels for these offices since September 1989.

### **Social Security Downsizing: Significant Savings but Some Service Quality and Operational Problems**

GAO/HRD-91-63, Mar. 19 (28 pages).

In response to an Office of Management and Budget directive, the Social Security Administration cut 17,000 staff positions. SSA completed the staff reduction on schedule and achieved cost savings for fiscal years 1985-90 of \$1.9 billion with recurring savings of \$600 million expected annually. Despite the staff cuts, SSA was able to maintain overall service at past levels, payment accuracy remained stable, and client satisfaction with the quality of SSA service remained high. These accomplishments came at a price, however. During the downsizing, employee morale plummeted, implementation of a new 800 telephone service had problems, and some processing times and pending work loads increased. In addition, staffing imbalances in certain areas caused some service deterioration. While questions have been raised about the adequacy of SSA's current staffing level, SSA lacks work load time standards on which to base its total staffing needs. As a result, SSA's credibility was harmed in its 1992 budget request for more staff.

**Private Pensions:  
Millions of Workers Lose Federal Benefit Protection at Retirement**

GAO/HRD-91-79, Apr. 25 (23 pages).

Insurance industry and government data suggest that three to four million retirees and their surviving dependents receive annuities that their pension plans bought for them from life insurance companies. Even though pension plan benefits are guaranteed by federal law, these pensioners lost this protection when they became dependent on an insurance company for retirement income. Furthermore, retirees holding these annuities may be unaware that federal guarantees do not extend to them. Without federal guarantees, pensioners holding insurance annuities must rely on state guarantees, which provide incomplete coverage. As a result, some pensioners could lose all or part of their pension benefits in the wake of insurance company failures. Due to limited data, GAO was unable to determine the likelihood or value of losses by annuitants. However, 170 life insurance companies have failed since 1975—40 percent of them in the last two years. GAO summarized this report in testimony before Congress; see:

Private Pensions: Risks to Retirees Posed by Insurance Company Failures, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging. GAO/T-HRD-91-23, Apr. 30 (14 pages).

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**Information  
Management**

**Customs Automation:  
Progress Made, More Expected in Revenue Reconciliation Process**

GAO/IMTEC-91-27, Mar. 7 (12 pages).

One of the U.S. Customs Service's main jobs is to assess and collect revenues on imported goods; in fiscal year 1990, Customs collected over \$19 billion in duties, taxes, tariffs, and fees on imported merchandise. GAO has previously reported on significant breakdowns in Customs' automated controls over revenue collection, deposit, and reconciliation. Since April 1989, Customs has improved its revenue reconciliation process. Unreconciled differences in collections and deposits have been reduced significantly although not eliminated—\$8 million remains unreconciled. Customs has enhanced its Automated Commercial System to enable monthly collection and deposit reconciliations. Customs is still experiencing a 45-day lag time in reconciling its deposit data but hopes that a

new system that the Department of the Treasury is developing will solve this problem.

**Attack Warning:  
Costs to Modernize NORAD's Computer System Significantly Understated**

GAO/IMTEC-91-23, Apr. 10 (32 pages).

GAO looked at Defense Department efforts to upgrade computerized subsystems within NORAD's Integrated Tactical Warning and Attack Assessment system. These subsystems can alert the United States and Canada to air, missile, or space attacks. DOD has lacked a single office to manage systems integration, seriously understated cost estimates to Congress, and imprudently deferred system requirements to meet near-term cost and schedule goals.

**Defense ADP:  
Corporate Information Management Initiative Faces Significant Challenges**

GAO/IMTEC-91-35, Apr. 22 (18 pages).

GAO reviewed implementation of the Defense Department's Corporate Information Management initiative, which is intended to improve DOD business practices, make better use of information technology, and eliminate duplicate information systems. This report provides an overview of DOD's ambitious undertaking, which has the potential for major cost savings since DOD spends about \$9 billion annually on its automated information systems. GAO believes that careful attention to how the Department should function in the next century, combined with the use of modern information technology, will help ensure that DOD is as modern and responsive as possible in the year 2000 and beyond. Along the way, however, DOD must make sure that short-term planning and implementation of information in the 1990s likewise has the benefit of careful, deliberate oversight. GAO summarized this report in testimony before Congress; see:

Challenges Facing Defense's Corporate Information Management Initiative, by Samuel W. Bowlin, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-IMTEC-91-10, Apr. 23 (nine pages).

## Testimony

General Services Administration's Management of FTS 2000, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-IMTEC-91-9, Apr. 18 (13 pages).

FTS 2000 is the largest ADP and telecommunications procurement ever attempted on the civil side of the federal government. GAO testified that while FTS 2000 is providing the government with an array of services unavailable under the old FTS services, and at a lower cost, the General Services Administration has been unable to obtain a 60/40 revenue split and has had trouble in getting price reductions from U.S. Sprint without making disruptive contract modifications. Further, some agencies will have to pay higher prices for some services under FTS 2000 than they are now paying for identical commercial services. GAO believes that the underlying cause of these contract problems is the large, unanticipated price difference between AT&T and Sprint. In GAO's view, failure to address these problems could seriously undermine the effectiveness of FTS 2000.

Forest Service Is Making Progress in Developing a Nationwide Geographic Information System, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-IMTEC-91-11, Apr. 24 (four pages).

In testimony before Congress last year, GAO stated that the Forest Service was not ready to acquire a nationwide geographic information system because required—and necessary—steps in its design and development were incomplete. While the Forest Service appears to have made real progress in addressing many of the concerns raised by GAO in 1990, some of its efforts may be inconsistent with federal and Agriculture Department systems development practices. In sum, while the Service's new approach could reduce many of the risks and improve the design and the justification of this major acquisition, uncertainties remain. The Forest Service has sketched out some promising directions, but firm conclusions about the adequacy of the Service's readiness must await more defined plans.

## International Affairs

### **Refugee Assistance: U.S. Contributions for the 1980s**

GAO/NSIAD-91-137, Mar. 21 (24 pages).

In examining U.S. contributions for the care and the relief of the world's refugees during the 1980s, GAO found that the United States contributed about \$9.7 billion in cash, commodities, and in-kind contributions for refugee assistance. About two-thirds of this was spent on admission and resettlement of refugees in the United States. U.S. funding for refugee assistance constituted a smaller share of total refugee aid (about one-third), but the annual level of this assistance nearly doubled to \$418 by the end of the 1980s. The United States was the largest donor to all but one of four major international refugee relief organizations, annually giving an average of over 20 percent of their total budgets during the decade. The Near East received more U.S. aid—41 percent of the total spent on refugee assistance—than any other region during that period. Refugees in East Asia and Africa, however, received the greatest shares of U.S. food aid. GAO summarized this report and discussed the overall world refugee population in testimony before Congress; see;

Refugees: Issues Affecting Living Conditions, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the House Select Committee on Hunger. GAO/T-NSIAD-91-23, Apr. 18 (27 pages).

### **El Salvador: Flow of U.S. Military Aid**

GAO/NSIAD-91-151, Mar. 27 (15 pages).

In response to concerns that proposals to restrict U.S. aid to El Salvador may have spurred U.S. efforts to use assistance money, GAO reviewed military aid provided to El Salvador each month over the past three fiscal years and the amount of military aid in the pipeline at the start and end of fiscal year 1990. Because of the lack of accurate historical data, GAO could make no determination about a possible acceleration in the provision of military aid to El Salvador during fiscal year 1990. GAO found no discernable difference in delivery trends for fiscal year 1990 and prior years. While some military aid was obligated earlier in fiscal year 1990 than in the previous years, executive branch officials said that this had been done to replenish supplies and equipment consumed during heavy fighting between the government and insurgent forces in

late 1989. U.S. officials in the programs denied any acceleration of aid stemming from proposed legislation to restrict aid.

**U.S.-Mexico Trade:  
Extent to Which Mexican Horticultural Exports Complement U.S.  
Production**

GAO/NSIAD-91-94BR, Mar. 20 (37 pages).

Mexico has long been the most important source of fresh fruits and vegetables imported into the United States, amounting to about \$800 billion in 1989. To protect domestic growers from perceived Mexican advantages like cheaper land and labor, the United States has maintained tariffs on most horticultural imports. Some of these tariffs vary by season, with the highest rates imposed during periods of peak U.S. production. This briefing report presents data on the harvest and marketing seasons for the major horticultural commodities exported from Mexico that are also grown in the United States. GAO also analyzes how major Mexican horticultural exports complement, supplement, or compete with U.S. domestic production.

**U.S.-Mexico Trade:  
Impact of Liberalization in the Agricultural Sector**

GAO/NSIAD-91-155, Mar. 29 (46 pages).

The United States and Mexico have reduced or eliminated barriers to agricultural trade in recent years, and the two countries continue to work on removing remaining impediments and facilitating upcoming free trade negotiations. Increased bilateral agricultural trade during the 1980s benefited the United States and Mexico in different ways. The United States enjoyed a substantial net surplus in agricultural trade with Mexico during the period, and Mexico also saw gains by doubling the value of its agricultural exports to the United States between 1980 and 1989. Much of the agricultural trade between the two countries is characterized by complementary production and comparative advantage. Free trade negotiations are likely to focus on the eventual elimination of all tariffs; however, certain nontariff barriers in the agricultural sector are expected to be addressed in order to achieve a free flow of trade. Some U.S. producer groups fear that they will face strong competition as a result of a free trade agreement, while others expect to increase their exports to Mexico. Spokespersons for the U.S. agricultural industry insist that free trade negotiations need to establish a "level

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playing field.” GAO summarized this report in testimony before Congress; see:

U.S.-Mexico Agricultural Trade Liberalization, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the House Committee on Agriculture. GAO/T-NSIAD-91-24, Apr. 24 (15 pages).

**Accessibility for the Disabled:  
Standards for Access to State Department-Designed Buildings  
Overseas**

GAO/NSIAD-91-170, Apr. 3 (four pages).

When building or renovating facilities in other countries, the State Department is subject to building guidelines issued in 1984 designed to provide disabled people with full access. However, the State Department did not adopt these standards until March 1990. Of 23 building designs completed between 1984 and 1990, only three were produced after the standards had been adopted. However, State Department officials said that accessibility features like ramps and appropriately designed rest rooms were incorporated in designs before 1990.

**European Initiatives:  
Implications for U.S. Defense Trade and Cooperation**

GAO/NSIAD-91-167, Apr. 4 (68 pages).

This unclassified version of a classified report focuses on European initiatives toward forming a single integrated market and their implications for U.S. defense trade and cooperation. In testimony before Congress, GAO summarized this report and discussed reciprocal defense procurement Memorandums of Understanding and U.S. government and industry perceptions on European defense procurements and contract awards. GAO also offered limited comments on H.R. 1238 concerning Defense Department waivers of the Buy American Act; see:

European Initiative and Reciprocal Procurement MOUS, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittee on Investigations, House Committee on Armed Services. GAO/T-NSIAD-91-30, Apr. 30 (11 pages.)

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**Aid to Panama:  
Status of Emergency Assistance to Revitalize the Economy**

GAO/NSIAD-91-168, Apr. 8 (24 pages).

In May 1990, Congress provided \$420 million in emergency support for the government of Panama to reverse the effects of more than two years of U.S. economic sanctions and of the U.S. military action in December 1989. While the Agency for International Development has obligated \$377.5 million of that amount, it has disbursed only \$77.9 million to date; even less—about \$41.8 million—has been spent by the Panamanian government or AID. AID officials attribute the slow disbursement of funds to the following: (1) Panama has not met certain conditions in the grant agreements necessary before cash disbursements can be made, (2) Panama and three international financial institutions have not completed an agreement under which Panama will pay off its arrears to the financial institutions, (3) uncertainties over Panama's long-term prospects for recovery have weakened demand for private sector loans, and (4) AID projects are still being developed as a result of AID's initial emphasis on the cash transfer programs. Despite the slow infusion of U.S. help, the government of Panama reported that its economy grew by 3.4 percent in real terms during 1990 over the previous year's level. However, the economic output of all sectors except agriculture and domestic services remained below that of 1987—the year that economic sanctions were imposed.

**Export Controls:  
U.S. Controls on Trade With Selected Middle Eastern Countries**

GAO/NSIAD-91-193FS, Apr. 12 (31 pages).

Most countries in the Middle East are subject to controls on U.S. exports of dual-use items, munitions, and nuclear-related items. This fact sheet (1) describes U.S. export controls that apply to 10 countries in the Middle East—Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Libya, Yemen, Saudi Arabia, and Syria; (2) summarizes U.S. licensing decisions on exports of dual-use items (i.e., militarily significant commercial items) to these countries; (3) provides data on levels of approved exports of dual-use items; and (4) provides summary data on overall U.S. trade data with selected Middle Eastern countries, including government-to-government sales of military items.

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**Foreign Assistance:  
Funds Obligated Remain Unspent for Years**

GAO/NSIAD-91-123, Apr. 9 (46 pages).

While the Agency for International Development confronts a changing world order in which increased demands for assistance are likely, continuing U.S. deficits mean that AID will be challenged to do more with less. A key resource is AID's \$8.5-billion pipeline of development assistance and economic support funds—unspent funds obligated to finance assistance projects and programs worldwide. GAO examined 103 projects at missions in six countries—Egypt, Guatemala, Honduras, Kenya, Pakistan, and the Philippines—and found that \$296 million of \$2.8 billion in the pipeline at the end of fiscal year 1989 was not earmarked to be spend within the next two years. In GAO's view, this represents a lost opportunity for AID to redirect scarce resources to higher priorities. An additional \$8 million was obligated for projects that had already been completed. Unrealistic or overstated implementation planning were the major causes of the excess funding in the pipeline, although circumstances beyond AID's control, such as delays by host governments, also contributed to the situation. AID recently started performance budgeting, which may help the pipeline function more efficiently. This practice is designed to reallocate funds to countries to successfully implement policy reforms.

**Foreign Assistance:  
Progress in Implementing the Development Fund for Africa**

GAO/NSIAD-91-127, Apr. 16 (50 pages).

Despite billions of dollars of assistance by the U.S. and other countries, economic conditions in sub-Saharan Africa declined severely in the 1980s. In response, Congress created the Development Fund for Africa, which is administered by the Agency for International Development. The Fund has provided a stable source of development assistance funding for Sub-Saharan Africa, and, in fact, development assistance has increased in absolute terms and in comparison with other regions. However, due to decreases in other types of economic assistance, like economic support funds and food aid, total U.S. economic assistance to this region was lower in fiscal year 1990 than in fiscal year 1987. Consistent with congressional guidance, AID has concentrated Fund resources in those African nations that seem willing to undertake economic policy reforms. AID missions have not taken full advantage of the

flexibility offered by the exemption from “buy American” procurement rules because AID’s guidance to the African missions was restrictive. The absence of functional accounts for Fund activities has, however, allowed AID to improve operations by more easily reprogramming funds and by pursuing cross-sectoral projects. While economic development is a long-term process subject to many influences, AID has not adequately described appropriate evaluation approaches and techniques for missions to use in analyzing relevant baseline and monitoring data. AID guidance also does not adequately describe how to measure the Fund’s impact or include a focus on whether Fund projects will be sustainable in the long run.

**Panama:  
Issues Relating to the U.S. Invasion**

GAO/NSIAD-91-174FS, Apr. 24 (seven pages).

In an effort known as Operation Just Cause, the U.S. invaded Panama and removed General Manuel Noriega from power in December 1989. This fact sheet provides information on (1) the legal basis cited by the administration for the invasion, (2) the implications of the invasion for U.S. foreign policy in Latin America, and (3) alleged unlawful acts that U.S. troops committed during the invasion.

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**Testimony**

The U.S. Export-Import Bank: Reauthorization Issues, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on International Development, Finance, Trade and Monetary Policy, House Committee on Banking, Finance and Urban Affairs. GAO/T-NSIAD-91-17, Apr. 11 (13 pages).

In light of the upcoming charter renewal of the Export-Import Bank, GAO testified on the Eximbank’s role in assisting U.S. exports. GAO discussed emerging markets and risk assessment, the use of “mixed credits,” the Eximbank’s interest equalization program, the financial condition of the Bank, the administration of Eximbank’s export credit insurance program by the Foreign Credit Insurance Association, the Eximbank’s coordination with other agencies, marketing Eximbank services, and the Eximbank’s financing of military exports.

Reforms in the Mexican Petrochemical Industry Have Not Increased U.S. Investment, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on International

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Economic Policy and Trade and on Western Hemisphere Affairs, House Committee on Foreign Affairs. GAO/T-NSIAD-91-22, Apr. 16 (11 pages).

While Mexico's petrochemical industry has grown rapidly since its inception in the 1950s, a shortage of capital resulting from Mexico's debt crisis has sharply reduced investment in the industry since 1982. Today, Mexico continues to confront shortages in both investment funds and feedstock supplies for its petrochemical industry. GAO's testimony discusses (1) the Mexican petrochemical industry's investment needs, (2) the 1989 reforms made by Mexico in its petrochemical industry and the response by U.S. petrochemical companies to these reforms, (3) major impediments to U.S. investment in the Mexican petrochemical industry, and (4) factors encouraging U.S. investment in Mexico. GAO concludes that cooperation between the two nations regarding the petrochemical industry could help U.S. firms maintain their positions in a competitive global market, while at the same time provide Mexico with much-needed capital investment.

Severance Pay for Greek Local Nationals Employed by the Department of Defense, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittees on Readiness and Military Installations and Facilities, House Committee on Armed Services. GAO/T-NSIAD-91-28, Apr. 24 (12 pages).

In September 1983, the United States and Greece concluded a five-year agreement authorizing the United States to use four major military installations. During more recent base negotiations between the two countries, the United States ended up withdrawing from two facilities. This testimony focuses on severance payments for Greek nationals employed at those two U.S. military facilities in Greece.

Commercialization of Technology by Japanese Companies, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-NSIAD-91-32, Apr. 30 (15 pages).

The ability to be the first to bring new products to market—to “commercialize” technology—is crucial for industrial competitiveness. Japan's post-War success in adapting new technologies to commercial applications has raised concerns about the ability of American firms to successfully compete in commercializing new technology. While the United States continues to dominate such key sectors as the aircraft and

pharmaceutical industries, Japanese businesses are making significant headway in a number of advanced technologies. GAO's testimony addresses the following questions: What did the Japanese government and businesses do that was critical to achieving this success? Are there aspects of government policy or business strategies or the structure of Japanese industry that could improve the ability of U.S. firms to commercialize technology?

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## Justice and Law Enforcement

### **Federal Prisons: Revised Design Standards Could Save Expansion Funds**

GAO/GGD-91-54, Mar. 14 (18 pages).

Is the Bureau of Prisons using reasonable and cost-effective measures of prison inmate capacity in determining the extent of crowding and the need for additional facilities? While Bureau standards have called for providing each inmate with a single cell of about 65 square feet, GAO found that the Bureau has—in practice—been double-bunking inmates in cells of various sizes and at all virtually all facilities. Also, the Bureau has not had unmanageable problems in providing inmate care and treatment, is not under court order or settlement agreement due to crowding, and has not experienced a higher rate of escapes or violent incidents. GAO believes that adoption of a double-bunking standards could result in greater economies in the Bureau's costly prison expansion program. The Bureau recently adopted a double-bunking standard for new medium security prisons, is considering double-bunking for its new medium- and low-security facilities, and has created a task force to review and update capacity at existing facilities. GAO recommends that Congress consider making the Bureau's fiscal year 1992 budget request for new facility construction contingent on BOP's completing and justifying its transition to standards that include double-bunking wherever feasible.

### **Money Laundering: Treasury's Financial Crimes Enforcement Network**

GAO/GGD-91-53, Mar. 18 (13 pages).

After studying efforts by the federal government to investigate and prosecute money-laundering schemes, the Department of the Treasury became concerned that law enforcement activities were fragmented and uncoordinated and that intelligence analysis was inadequate. To remedy this situation, Treasury established the Financial Crimes Enforcement

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Network in April 1990. This report discusses the reasons behind the Network's creation as well as the Network's functions, organization, and staffing. To illustrate the potential contributions of the Network, examples of the type of work being done by that organization are provided.

**Accidental Shootings:  
Many Deaths and Injuries Caused by Firearms Could Be Prevented**

GAO/PEMD-91-9, Mar. 19 (47 pages).

In 1988 about 1,500 people were killed by accidental discharges of firearms and many more were injured; among those killed were 277 children under age 15. GAO looked at the extent to which safety devices could prevent such deaths. Specifically, GAO examined the proportion of accidental deaths that might have been averted by two technical modifications to firearms: a child proof safety device that automatically engages and a device that indicates whether a gun is loaded. GAO also looked at the total number and costs of injuries caused by accidental firearm discharges. The two safety devices could potentially save many lives and would undoubtedly also prevent many injuries. Because the Consumer Product Safety Commission now cannot take any action that might restrict the availability of firearms to the public, GAO recommends that legislation be passed allowing the Commission to regulate the risk of injury associated with firearms.

**Border Patrol:  
Southwest Border Enforcement Affected by Mission Expansion and Budget**

GAO/GGD-91-72BR, Mar. 28 (23 pages).

The U.S. Border Patrol, part of the Immigration and Naturalization Service, is charged with detecting and stopping the smuggling and illegal entry of aliens into the United States. This briefing report examines the Border Patrol's efforts along the southwest border. GAO discusses (1) changes in the Border Patrol's mission since 1986; (2) funding and staffing levels since fiscal year 1986, including attrition rates; (3) time spent on various enforcement activities; (4) the apprehension of aliens trying to enter the country illegally and the seizure of narcotics; (5) assaults against Border Patrol agents; and (6) the availability and the condition of the Patrol's field equipment.

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**Federal Criminal Justice System:  
A Model to Estimate System Workload**

GAO/GGD-91-75, Apr. 11 (86 pages).

The Anti-Drug Abuse Act of 1988 directs GAO to develop a model that could be used to help “maintain balance” in the federal criminal justice system. The model’s basic purpose is to help Congress and the federal agencies to assess the potential effects that budget and staff changes in one area—such as prosecutors, the courts, or prisons—might have on the rest of the system. This report describes the model GAO developed and how it can be used for decisionmaking.

**Noncriminal Juveniles:  
Detentions Have Been Reduced but Better Monitoring Is Needed**

GAO/GGD-91-65, Apr. 24 (77 pages).

To what extent are youths under age 18 jailed for things like curfew violations, truancy, possession of alcohol, and running away? Further, are states that allow this practice complying with federal policies? This report looks at (1) the extent to which noncriminal offenders have been detained, (2) state efforts to meet federal goals and regulations, and (3) whether the juvenile court system has provided detained offenders with procedural protections. GAO found that while states have reported significant reductions in the numbers of noncriminal offenders detained, the Department of Justice needs to monitor states to ensure compliance with regulations, particularly with respect to offenders’ procedural rights.

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**Testimony**

Asset Forfeiture: Opportunities for Savings Through Program Consolidation, by J. William Gadsby, Director of Federal Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-91-22, Apr. 25 (eight pages).

The Anti-Drug Abuse Act of 1988 required the Attorney General and the Secretary of the Treasury to develop a plan for consolidating in one agency the task of administering properties seized in drug raids. GAO testified that little headway has been made toward developing that plan. Each agency has drafted proposals that have been rejected by the other; the limited discussions that followed eventually broke down in February 1990. GAO concludes that consolidation would save money and promote

efficiency. It recommends that Congress incorporate GAO's proposed framework for consolidation into law.

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## National Defense, Security, and Military Procurement

### **Chemical Warfare: Soldiers Not Adequately Equipped or Trained to Conduct Chemical Operations**

GAO/C-NSIAD-91-17, Jan. 15 (49 pages).

This unclassified version of a classified report discusses significant problems in the Army's Chemical Defense Program. After visiting active and reserve Army units ranging in size from an artillery to an infantry battalion, GAO concludes that the units have not been adequately trained or equipped to survive and function during a chemical attack. Many of the soldiers GAO spoke with said that they had not met the minimum time standards for training and that training had not been done under realistic conditions or integrated into mission training exercises, though required. Further, while the Army has come out with new chemical defense equipment in recent years, equipment shortages and limitations continue to hamper Army operations and some new equipment has yet to be produced and delivered to Army units. GAO summarized this report in testimony before Congress; see:

Chemical Warfare: Soldiers Not Adequately Trained or Equipped to Conduct Operations on a Chemical Battlefield, by Richard Davis, Director of Army Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-91-18, Apr. 16 (11 pages).

### **Defense Inventory: Defense Logistics Agency Customers Order Supplies Uneconomically**

GAO/NSIAD-91-39, Feb. 14 (27 pages).

GAO reviewed how the military services submit requisitions for supplies to the Defense Logistics Agency to see if they are using economical methods. GAO found that customers added millions of dollars to the Agency's supply operations costs because they routinely used uneconomical methods. For example, during fiscal year 1989 customers placed about 5.7 million requisitions for supplies worth \$11 or less—the estimated cost to process a requisition. GAO estimates that the Agency

lost about \$62.9 million because of these low-value requisitions. In addition, customers—on about 750,000 occasions—submitted two or more requisitions for the same supply item on the same day, thereby adding nearly \$12.1 million to the Agency's operating costs. On many occasions, customers also requested higher-priority service than necessary. GAO believes that establishing a minimum charge per requisition would not only allow the Agency to recover its full costs but should also eliminate the problems already mentioned. GAO summarized this report in testimony before Congress; see:

Defense Logistics Agency Customers Order Supplies Uneconomically, by Donna M. Heivilin, Director of Logistics Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/NSIAD-T-NSIAD-91-25, Apr. 23 (13 pages).

**Defense Inventory:  
DLA and Navy Suspended Stocks Should Be Processed More Quickly**

GAO/NSIAD-91-8, Mar. 14 (37 pages).

GAO examined defense secondary item inventories to assess efforts to minimize stocks of unknown status. GAO found that the Defense Logistics Agency and the Navy have made improvements since GAO's 1984 review, but they still do not resolve the status of suspended stock in a timely manner. Secondary items have frequently remained suspended beyond DOD time standards because resolving the items' status was not a high priority, program guidance lacked key elements, and existing guidance was routinely not followed. Overall, stocks valued at about \$50 million, or 49 percent of the \$103 million of secondary items GAO sampled, remained suspended more than six months. Once items are determined to be usable, item managers consider them in procurement decisions. However, the delays in resolving the status of items in suspended stock may cause unnecessary new procurements. In addition, some suspended items should have been disposed of. GAO estimates that suspended items cost over \$9 million per year to store.

**Navy Command and Control:  
Better Systems Integration and Organizational Structure Are Needed**

GAO/NSIAD-91-115, Feb. 27 (14 pages).

This report examines data fusion efforts within the U.S. Navy Command and Control System, specifically Navy data fusion capabilities ashore. Data fusion is the merging of information from a variety of sources. An earlier GAO report disclosed that the Navy considered its data fusion capabilities at sea to be incomplete, manpower intensive, and time-consuming. The Navy awarded a contract in 1982 to upgrade its data fusion capabilities ashore. However, because the Navy started production of the upgrade without first doing an operational evaluation, the system later experienced many deficiencies. Although many problems have been corrected, others remain and will have to be corrected before the system is operationally effective. In the interim, the Navy has acquired several prototype systems to compensate for the data fusion deficiencies. These systems, however, neither individually nor collectively meet the Navy's stated mission needs nor satisfy the Navy program requirements for documentation, logistics support, testing, training, and configuration control. The lack of adequate data fusion capabilities results in inefficient or untimely use of ashore and afloat sensors and battle group weapons. Until adequate data fusion capabilities are available, Naval battle group commanders will have a less-than-satisfactory tactical picture for decisionmaking, and some Navy missions could be at risk.

**Unmanned Aerial Vehicles:  
Medium Range System Components Do Not Fit**

GAO/NSIAD-91-2, Mar. 25 (32 pages).

The Medium Range Unmanned Aerial Vehicle program is a joint effort by the Navy and the Air Force to develop an aircraft that can carry a payload like a television camera or an infrared sensor in order to do surveillance of enemy activities and identify targets. This interim report looks at the status of the program and discusses one of several major problems now affecting it: the payload will not fit into the vehicle. The other major problems will be addressed in future GAO work.

**Strategic Defense Initiative:  
Need to Examine Concurrency in Development of Brilliant Pebbles**

GAO/NSIAD-91-154, Mar. 27 (30 pages).

This unclassified version of an earlier classified report discusses the Strategic Defense Initiative Organization's program for developing Brilliant Pebbles, the space-based weapons system for the Phase I Strategic

Defense System. In November 1990, GAO reported that tests by the Lawrence Livermore National Laboratory would not be finished in time to determine the technical feasibility of Brilliant Pebbles. As a result, the Organization would be paying contractors to improve a design concept before Livermore had fully demonstrated that the concept would work. Since the Organization substituted Brilliant Pebbles for the Space-Base Interceptor, the cost estimate for the Phase I Strategic Defense System was reduced by \$13.8 billion, from \$69.1 billion to \$55.3 billion. Since GAO's classified report was issued, however, DOD has addressed many of the concurrency and schedule issues relating to the Brilliant Pebbles program, and GAO's concerns may no longer be valid.

**Military Bases:  
Processes Used for 1990 Base Closure and Realignment Proposals**

GAO/NSIAD-91-177, Mar. 29 (13 pages).

The Secretary of Defense did not provide specific written guidance to the services on how to select bases as candidates for closure and realignment. He instead gave general oral guidance, instructing the services to consider anticipated force structure and budget reductions in choosing candidate bases. Also, none of the services selected candidate bases using a process as comprehensive and well-documented as the one followed by the 1988 Commission on Base Realignment and Closure. Further, the processes used by the services in selecting the January 1990 candidate bases varied. In particular, GAO discusses the Air Force's process for selecting Eaker Air Force Base, Arkansas, for closure.

**Reserve Components:  
Factors Related to Personnel Attrition in the Selected Reserve**

GAO/NSIAD-91-135, Apr. 8 (109 pages).

The Selected Reserve consists primarily of part-time drilling reservists who are relied upon to augment active forces during a national emergency. The Selected Reserve lost over 220,000 enlisted personnel in fiscal year 1988. Attrition rates, including retirements, discharges, transfers, and deaths, ranged from 11 percent in the Air National Guard to 30 percent in the Army Reserve. Because personnel losses are unevenly distributed across grade groups, overall loss rates mask the extent of losses in particular groups. In addition, the geographic dispersion of units prevents the transfer of reservists to fill shortages in other units. Much of the turnover in National Guard and Reserve units is due

to loss of reservists who stop participating in training before their enlisted terms are completed. In fact, four of five enlistees without previous military service failed to complete their six-year enlistments. Job conflicts, dissatisfaction with training and enlistment terms, and delayed receipt of reserve pay contributed to attrition. Dealing with reservists who fail to participate in inactive duty training is difficult because of limited enforcement options. While DOD and individual reserve components have programs to reduce attrition and to improve reserve retention, GAO believes that other innovative approaches warrant some consideration and/or testing.

**Flying Hours:  
Overview of Navy and Marine Corps Flight Operations**

GAO/NSIAD-91-54, Apr. 12 (20 pages).

The Navy and the Marine Corps rely on well-trained, highly skilled navigators to do a number of difficult jobs, including striking land and sea targets, protecting ships from air threats, and landing and taking off from aircraft carriers. The Navy's flying hour program encompasses everything from initial training of new personnel to the day-to-day operations of fleet squadrons. This report examines the flying hour program and discusses (1) the types of aviators flying carrier-based aircraft, (2) the types and amounts of flying done by these aviators, and (3) the relevancy of flying to operations and training.

**Battlefield Automation:  
Army Tactical Command and Control System's Schedule and Cost**

GAO/NSIAD-91-118BR, Apr. 15 (22 pages).

The Army Tactical Command and Control System is a comprehensive approach to automating the Army's tactical command and control system and to improving its communications systems. GAO reviewed the Army's efforts to implement the system, and this briefing report provides updated information on the program's status and schedule, as well as costs.

**B-2 Bomber:  
Early Radar Signature Tests**

GAO/NSIAD-91-188, Apr. 15 (eight pages).

In November 1990, the Air Force started testing the radar signature of the B-2 aircraft to see whether it met the Air Force's earlier predictions. Radar signature is one of the low observable characteristics of the B-2 that is critical to its ability to survive as it carries out its intended mission. GAO looked at the adequacy, the rigor, and the realism of the tests; the tests' compliance with the full performance matrix; and the use of appropriate threat data. GAO found that the early testing involved initial development tests that were not designed to demonstrate the B-2's full capabilities or to test the B-2 in a representative operational environment. Further, the tests did not try to account for the effects of day-to-day operations, wear and tear on the aircraft and equipment, or maintenance over a long time frame. The early Block 2 tests did adequately meet the objectives of partially measuring the first aircraft's radar signature, preliminarily assessing the signature, and further demonstrating the aircraft's flight worthiness. Testing complied with the conditions established in the full performance matrix for these early tests. However, even though the early test objectives were met, the flight test program has not progressed as rapidly as planned when it began in July 1989.

**Industrial Funds:  
Weaknesses Remain in the Department of Defense's Capital Equipment Program**

GAO/NSIAD-91-175, Apr. 17 (21 pages).

DOD established the Asset Capitalization Program in 1983 to modernize plant and industrial equipment at industrially funded activities. GAO reviewed DOD management of that program and concludes that DOD's proposal to fund capital equipment at industrial fund activities through the Defense Business Operations Fund does not adequately address weaknesses in the Asset Capitalization Program identified in prior GAO reports.

**Overseas Basing:  
Air Force and Army Processes for Selecting Bases to Close in Europe**

GAO/NSIAD-91-195, Apr. 24 (13 pages).

In 1990 and 1991, DOD announced the closure or realignment of 198 overseas bases and installations, 174 of which are in Europe. These ranged from major sites to undeveloped parcels of land. GAO reviewed

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the processes used for deciding which of these European bases were to close. This report (1) presents an overview of the processes and criteria guiding the services' efforts, (2) ascertains how each service's decision process operated, and (3) compares these processes with the one that DOD is required to use to develop the proposed domestic base closures and realignments.

**DOD Budget:  
Observations on the Future Years Defense Program**

GAO/NSIAD-91-204, Apr. 25 (eight pages).

The Future Years Defense Program represents the Defense Department's six-year plan of estimated expenditures and anticipated appropriation needs. This report examines DOD compliance with legislation requiring the annual submission of a program that was consistent with the President's annual budget submission. The legislation also restricts obligations of advance procurement funding pending a timely submission of the program.

**Test and Evaluation:  
Projects Funded by DOD's Central Test and Evaluation Investment Program**

GAO/NSIAD-91-111, Apr. 30 (14 pages).

In 1988 DOD began reviewing test and evaluation capability needs and investment trends. In response to the discovery of shortfalls of about \$12 billion in major test resources, DOD created the Central Test and Evaluation Investment Program. Its goal is to fund high-priority test and evaluation requirements, thereby ensuring adequate and timely test capabilities to support DOD's weapon system acquisition process. This report provides information on (1) the justification for the projects funded by the program, (2) any duplication among the projects, (3) the execution of the fiscal year 1990 and 1991 projects, and (4) the projects' outyear funding profiles.

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**Testimony**

Information on the A-12 Default Termination, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, and by Brad Hathaway, Associate Director for Navy Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-91-15, Apr. 11 (12 pages); and

A-12 Default Termination Issues, by Martin M. Ferber, Director of Navy Issues, and by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Subcommittee on Investigations, House Committee on Armed Services. GAO/T-NSIAD-91-14, Apr. 9 (15 pages).

Total appropriations for the Navy's A-12 aircraft program, including research done before the full-scale development phase, as well as production funding, totaled just over \$6.7 billion. At termination, just under \$3 billion had been spent on the program. Research and development and miscellaneous support costs accounted for about \$300 million of the amount spent. The Navy demanded that of the remaining \$2.6 billion paid to General Dynamics and McDonnell Douglas for the full-scale development effort and \$0.1 billion for the first two production options, \$1.35 billion be returned. In January 1991, the government terminated the A-12 contract because the contractors were unable to produce the A-12 on schedule and deliver an aircraft that would meet contract requirements. The contractors have announced that they will file suit and have submitted claims against the government stating that they are entitled to price adjustments that have yet to be resolved. GAO indicated that the government's liability would increase substantially if the termination is converted to one for the convenience of the government. In that case, the government's liability could include most costs incurred by the contractors. GAO testified that regardless of whether the termination of the A-12 contract is for default or convenience, the Navy still needs an attack aircraft.

Naval Aviation: Status of V-22 Osprey Full-Scale Development, by Martin M. Ferber, Director of Navy Issues, before the Subcommittee on Research and Development and before the Subcommittee on Procurement and Military Nuclear Systems, House Committee on Armed Services. GAO/T-NSIAD-91-19, Apr. 11 (16 pages).

GAO testified on the development status of the V-22 Osprey, a tiltrotor aircraft designed to perform various combat missions. While the contractors have made progress in developing the V-22 and have done functional tests in areas like flying qualities and external lift capabilities, development issues remain to be resolved before the aircraft is ready for pilot production. Because of delays in the program, the total estimated procurement cost for 657 aircraft (Navy/Marine Corps and Air Force) has grown from \$20.3 billion, which DOD said was unaffordable, to \$23.3 billion today. Each V-22 now costs an estimated \$40 million when received.

Significance of DOD's Foreign Dependence, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Subcommittee on Defense Industry and Technology, Senate Committee on Armed Services. GAO/T-NSIAD-91-20, Apr. 16 (nine pages).

GAO testified on DOD's dependence on foreign sources—those outside the United States or Canada—for critical components of its weapons systems. Not all dependencies pose a threat to national security. However, concerns have been raised about potential U.S. overreliance on foreign sources for the production of critical weapons systems and/or the procurement of the most advanced technology for developing future weapon systems. DOD does not know the impact or the significance of its foreign dependency problems, DOD's awareness of dependencies is limited, previously identified dependencies still exist, and DOD's efforts to develop adequate information on dependencies have been slow in coming and inadequate.

DOD's Management of Beneficiaries' Mental Health Care, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-HRD-91-18, Apr. 24 (14 pages).

This testimony focuses on (1) how mental health benefits under DOD's Civilian Health and Medical Program of the Uniformed Services compare with those under private sector and other governmental health plans and (2) DOD's efforts to manage the mental health care provided to its beneficiaries. According to GAO, CHAMPUS mental health care benefits and beneficiary cost-sharing requirements are more generous than those offered in the private sector and by other government plans. Moreover, DOD's management of mental health care has improved since the 1980s, and GAO believes that DOD is headed in the right direction. However, several areas need further attention, chief among them DOD's quality assurance program for mental health services. Finally, many questions remain as to how DOD will ultimately implement the plans set forth in its recent report to Congress on mental health care.

Defense Budget and Program Issues Facing the 102nd Congress, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Armed Services. GAO/T-NSIAD-91-21, Apr. 25 (29 pages).

With Operation Desert Shield over and Operation Desert Storm drawing to a close, DOD is again turning to the task of building down the defense

establishment. In GAO's view, this effort must ensure that limited defense dollars are spent wisely and that U.S. military strength is preserved. The Comptroller General's testimony focuses first on the budget constraints facing the nation and then addresses five shortcomings in the administration's 1991 defense budget and in the Five Year Defense Plan relating to threat, money, strategy, force structure, and programs.

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## Natural Resources

### **Forest Service: Better Reporting Needed on Reforestation and Timber Stand Improvement**

GAO/RCED-91-71, Mar. 15 (16 pages).

Reporting by the Forest Service on reforestation and timber stand improvement activities is inaccurate and inconsistent. Specifically, Forest Service headquarters does not provide specific enough guidance to regional offices on how to identify and when to report reforestation and timber stand improvement needs. Forest Service headquarters also provides insufficient guidance to regional offices on how to certify and report the successful completion of reforestation and timber stand improvement activities. As a result, Congress lacks reliable information in assessing Forest Service progress in these areas and in making decisions on funding for forest management. GAO summarized this report in testimony before Congress; see:

Better Reporting Needed on Reforestation and Timber Stand Improvement, by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Forests, Family Farms, and Energy, House Committee on Agriculture. GAO/T-RCED-91-31, Apr. 16 (seven pages).

### **Hydroelectric Dams: Costs and Alternatives for Restoring Fisheries in the Elwha River**

GAO/RCED-91-104, Mar. 27 (19 pages).

GAO looked at the effects of the Elwha and Glines Canyon dams on fisheries in the Elwha River in Washington state. This report discusses (1) the potential costs of removing the dams to restore the fisheries, (2) the potential costs of restoring the fisheries without removing the dams, and (3) the effectiveness of both dam removal and dam retention coupled with mitigation measures in restoring fish to the Elwha River. GAO

concludes that dam removal offers the best prospect for fish restoration. However, the costs involved are high—up to \$124.6 million if sediment behind the dams has to be removed—and a pulp and paper mill in the vicinity would be forced to purchase replacement power from another source. While the construction of fish passageways would be cheaper, it would also be less effective than dam removal in restoring fish to areas of the river above the dam. Given that the costs and benefits of various alternatives could not be fully quantified, GAO believes that the selection of one alternative over another is essentially a public policy decision in which value judgments must be made about the costs, benefits, and any trade-offs.

**Fisheries:**

**Commerce Needs to Improve Fisheries Management in the North Pacific**

GAO/RCED-91-96, Mar. 28 (38 pages).

Alaska's North Pacific fishery is the largest in the nation, accounting for about 50 percent of the annual U.S. harvest. While foreign fisherman caught nearly all the groundfish in the North Pacific in the early 1980s, by 1991 they had been virtually eliminated from the fishery. Today a cap is placed on the quantity of groundfish, such as pollock, flounder, and cod, that can be harvested in the fishery each year; under this system, U.S. fisherman who sell to domestic processors are given preference in harvesting up to the limit of the cap. GAO concludes that the two-million-metric-ton cap for groundfish in the Bering Sea could be increased. GAO believes that the National Marine Fisheries Service's system for determining domestic processors' needs has produced inaccurate estimates, domestic processors have consistently inflated the quantity of groundfish that they actually process, and the Service has only partially succeeded in adjusting these estimates for accuracy. In addition, because the process for allocating groundfish has overstated the domestic processors' actual needs, joint-venture fisherman—those who sell to foreign at-sea processors—have been harmed.

**Forest Service:**

**Difficult Choices Face the Future of the Recreation Program**

GAO/RCED-91-115, Apr. 15 (28 pages).

The deteriorating condition of recreational sites and areas in the national forests has resulted in health and safety hazards, resource

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damage, and, in some cases, diminished recreational experiences for the millions of visitors who flock to these areas every year. Past GAO reports have estimated that it will cost at least \$644 million to eliminate the backlog of maintenance and reconstruction for trails and recreation sites; millions more will be needed to develop and maintain, to current standards, special recreation and wilderness areas. This report discusses (1) problems common to Forest Service management of the recreation program, (2) Forest Service actions in response to previous GAO recommendations, and (3) additional efforts needed to resolve these problems.

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## Testimony

Indian Issues: GAO's Assessment of Economic Analyses of Fort Berthold and Standing Rock Reservations' Compensation Claims, by Harry R. Finley, Director of Operations in the Resources, Community, and Economic Development Division, before the Senate Select Committee on Indian Affairs. GAO/T-RCED-91-30, Apr. 12 (five pages).

GAO testified on the economic analyses supporting recommendations that Indian tribes at two reservations receive additional financial compensation for land taken by the federal government. Due to overly optimistic assumptions about the tribes' economic situation before the loss of the land, the consultants hired by the tribes overstated the economic losses sustained when the land was taken. Consequently, these figures should not be relied on by Congress. GAO suggests that Congress rely on another approach in providing additional compensation. For example, Congress might start with the difference between the amount of compensation the tribes believe was warranted and the amount that Congress appropriated. Adjustments could then be made as appropriate to reflect current values.

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## Science, Space, and Technology

### **Technology Transfer: Federal Agencies' Patent Licensing Activities**

GAO/RCED-91-80, Apr. 3 (32 pages).

This report discusses agencies' implementation of provisions of the Patent and Trademark Amendments of 1980 that enable them to grant licenses to make, use, or sell government-owned inventions. GAO provides (1) patenting and licensing data for fiscal years 1981-90 for 12 federal agencies and 16 of the Department of Energy's contractor-operated laboratories and (2) federal patent attorneys' and licensing officials' perceptions of possible ways to facilitate their agencies' patent

licensing efforts. The 12 agencies funded about \$16.2 billion of the estimated \$16.7 billion obligated for research and development at government laboratories in fiscal year 1990 and are the principal patenting and licensing agencies.

**Space Data:**

**NASA's Future Data Volumes Create Formidable Challenges**

GAO/IMTEC-91-24, Apr. 8 (27 pages).

NASA missions will soon generate quantities of data never before encountered; in the next decade, the volume of archived data will rise by over 5,600 percent. Because current information systems will be unable to handle NASA's future processing and storage requirements, the agency is pursuing several options involving advanced data storage technologies. One such initiative—the Earth Observing System Data Information System—will use an advanced mass storage system, not yet developed, to store and retrieve more than 1,000 times the amount of information now held in the Library of Congress. While potentially helpful in managing and storing the volumes of data emanating from future missions, these initiatives also pose formidable challenges. For example, these initiatives may rely on an advanced mass data storage system that is not yet available, that may not work, and for which no media and data format standards exist. In addition, NASA will need to be vigilant for ways to minimize costs. Despite the importance and the expense of these initiatives, their visibility to congressional oversight committees is questionable. GAO believes that separate reporting by NASA on these initiatives is prudent.

**Federal Research:**

**Status of DOE's Superconducting Super Collider**

GAO/RCED-91-116, Apr. 15 (20 pages).

The Department of Energy's Superconducting Super Collider, to be built on a site 30 miles south of Dallas, Texas, will be the world's largest high energy particle accelerator—a research tool used by physicists to investigate energy and matter. This report discusses instability in the tenure of DOE and the Superconducting Super Collider Laboratory project management, uncertainties concerning the site geology, uncertainties and risks associated with magnet development and production, and Texas' proposed contribution to project costs.

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**Federal Research:**  
**Assessment of the Financial Audit for SEMATECH Activities in 1989**

GAO/RCED-91-74, Apr. 30 (15 pages).

GAO discovered nothing that would indicate that Price Waterhouse's opinion on SEMATECH's financial statements for 1989 or its reports on internal control structure and on compliance with laws and regulations cannot be relied upon. However, GAO believes that the interests of the American taxpayers—who underwrite about half of SEMATECH's operations—would be better served if SEMATECH disclosed that it is continuing to pay the salary of its former chief operating officer as part of a post-employment guarantee. Further, reimbursement of member companies' contributions to SEMATECH as overhead costs on government contracts serves indirectly to increase the federal government's overall support for SEMATECH's research and development activities.

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**Social Services**

**Mother-Only Families:**  
**Low Earnings Will Keep Many Children in Poverty**

GAO/HRD-91-62, Apr. 2 (36 pages).

In 1987 slightly over 60 percent of the children below the poverty line lived in families headed by the mother alone. This report (1) provides an empirical estimate of the magnitude of the problems mother-only families face in escaping from poverty and (2) examines federal policies that could help them. GAO found that many single mothers will remain at or near the poverty line despite their holding full-time jobs. Low earnings, vulnerability to layoffs, lack of important fringe benefits like health insurance, and relatively high expenses for child care are some hurdles these women face. These problems also challenge the federal programs that seek to reduce the number of children in poverty. GAO did find that 1990 legislation that expanded the earned income tax credit and child care subsidies could increase the percentage of poor families that get along without welfare. Nevertheless, if poor women do not obtain better job skills to increase their earnings, many will probably have to depend on public assistance and other income supplements to live above the poverty line. The Aid to Families With Dependent Children program, food stamps, and child support payments are especially important income supplements.

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**Welfare Benefits:  
States Need Social Security's Death Data to Avoid Payment Error  
or Fraud**

GAO/HRD-91-73, Apr. 2 (13 pages).

Each year, the federal government spends billions of dollars on state-administered welfare programs like Aid to Families With Dependent Children, Food Stamp, and Medicaid; states spend billions more in welfare benefits through their state-funded general assistance programs. While payments should promptly cease once a beneficiary dies, a GAO review in the mid-Atlantic region—Maryland, Pennsylvania, and the District of Columbia—discovered nearly 3,000 cases during a two-year period in which benefit payments continued for up to two years or more after the beneficiaries had died. GAO believes that erroneous welfare payments and welfare fraud could be reduced or avoided by having the Social Security Administration routinely provide states with death information contained in its files. With minimal investment, SSA could modify its social security number verification system to provide states with available death information.

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**Testimony**

Adequacy of the Administration on Aging's Provision of Technical Assistance for Targeting Services Under the Older Americans Act, by Robert York, Acting Director for Program Evaluation in Human Service Areas, before the Subcommittee on Human Resources, House Committee on Education and Labor, and before the House Select Committee on Aging. GAO/T-PEMD-91-3, Apr. 25 (22 pages).

Several studies suggest that, in addition to having a higher poverty rate, elderly minorities have greater needs in areas like health services and supportive social services. Despite these needs, many minority elderly do not receive adequate services because of access problems, cultural barriers, and lack of awareness about the availability of these services. This testimony addresses the targeting of minorities in programs and services administered by the Administration on Aging. GAO discusses (1) the data that are available to assess the effectiveness of targeting, (2) how the Administration on Aging provides technical assistance on targeting to state units on aging, (3) the unmet technical assistance needs of state units with regard to targeting, and (4) the ability of the Administration on Aging to administer Older American Act programs given its current location within the Office of Human Development Services of the Department of Health and Human Services.

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## Tax Policy and Administration

### **Tax Policy and Administration: 1990 Annual Report on GAO's Tax-Related Work**

GAO/GGD-91-46, Apr. 16 (133 pages).

This report summarizes GAO's work on tax policy and administration issues during fiscal year 1990. GAO products focused on ways Congress and the administration could improve the accuracy of Internal Revenue Service revenue estimates, improve compliance with the nation's tax laws, reduce the growth in accounts receivable, simplify the tax system, and enhance the effectiveness of tax incentives. This report also cites actions resulting from GAO's work.

### **Tax Administration: Changes Are Needed to Improve Federal Agency Tax Compliance**

GAO/GGD-91-45, Apr. 16 (10 pages).

IRS records show that federal agencies owe millions of dollars in unpaid employment taxes. Yet, GAO found, in most instances, the records are inaccurate. GAO attributes numerous errors in transmitting and recording payments to IRS' existing tax deposit system, which is cumbersome and paper based. The agencies themselves, however, bear a major share of the responsibility. The widespread late filing of returns suggests that the agencies have not placed enough priority on keeping their federal tax accounts and records current. GAO believes that the resolution of these problems must be accomplished as part of a governmentwide effort and that the Department of the Treasury should serve as a focal point.

### **Managing IRS: Important Strides Forward Since 1988 but More Needs to Be Done**

GAO/GGD-91-74, Apr. 29 (64 pages).

IRS faces many challenges, including a burgeoning work load that threatens to overwhelm its antiquated computer system and increasing demands to do more in a time of fiscal austerity. IRS, in response to recommendations made by GAO in 1988, has taken steps to establish a leadership framework that will help it address these problems. Among the most important actions are the establishment of the positions of Chief Financial Officer, Controller, and Chief Information Officer and the creation of a business review process. This report also discusses actions

that IRS needs to take to better ensure that these mechanism are effective in improving efficiency, managerial accountability, and quality.

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## Testimony

IRS' Efforts to Ensure Corporate Tax Compliance, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-GGD-91-21, Apr. 17 (27 pages).

GAO testified on corporate tax compliance and IRS' program to audit the largest corporations in the country—the Coordinated Examination Program. GAO's major points are: (1) the nation's tax gap—the difference between the amount of income tax owed for a year and voluntarily paid—is over \$100 billion and is growing; (2) the corporate tax gap has grown much faster than the individual gap, and new IRS evidence suggests that the gap for small corporations may be greater than estimated; and (3) IRS may be losing its ability to promote voluntary compliance among the largest corporations because of IRS management problems that have persisted since the late 1970s in an era of complex and changing tax laws.

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## Transportation

### **Air Traffic Control: FAA's Advanced Automation System Contract**

GAO/IMTEC-91-25, Mar. 5 (12 pages).

The Advanced Automation System, the centerpiece of efforts by the Federal Aviation Administration to modernize the air traffic control system, is intended to replace aging computer systems used by air traffic controllers with new equipment. Because of the size and the complexity of the contract and because further cost increases are likely, it is important that FAA receive detailed information on the cost and performance of the contract. IBM has implemented a management control system that provides this information and permits FAA to identify the cost and the performance of the Advanced Automation System. When combined with periodic FAA verification of contractor-reported cost and performance, this system should provide a sufficient basis for monitoring the contract.

**Aviation Safety:  
Changes Needed in FAA's Service Difficulty Reporting Program**

GAO/RCED-91-24, Mar. 21 (16 pages).

By periodically disseminating reports on aircraft malfunctions, FAA's Service Difficulty Reporting program is intended to help airline and FAA personnel promptly correct conditions that could harm air safety. However, most major airlines and FAA engineers and inspectors contacted by GAO said that the program is of little value because the information it provides is not complete, timely, or useful. These problems stem from ambiguous regulations, airlines' reluctance to submit malfunction information to a public data base, the cumbersome nature of the paper-based process, and the lack of program data analysis. Alternatives to FAA management of the program exist. Either the major equipment manufacturers or a private organization could contract with FAA to manage the program. Before an alternative is chosen, however, several policy issues regarding cost, liability, and the manufacturers' role in regulating air safety need to be addressed.

**Railroad Safety:  
Weaknesses Exist in FRA's Enforcement Program**

GAO/RCED-91-72, Mar. 22 (28 pages).

Several weaknesses exist in the Federal Railroad Administration's rail safety program. First, over the past five years, FRA has found the same types of defects recurring each year at the same railroads, including defective track that could lead to derailments, inadequate attention to operating rules and practices that could result in accidents, and unsafe locomotives. These recurring problems suggest that FRA's enforcement program is ineffective in ensuring railroad compliance with federal safety regulations. Second, although FRA's policy is that inspectors should uniformly apply safety regulations, inspectors have not been doing so. Third, FRA does not impose and settle civil penalties in a timely manner. At the end of 1989, FRA took 36 months to settle civil penalties—16 months longer than in 1982, when GAO first looked at the issue. GAO summarized this report in testimony before Congress; see:

Railroad Safety: Weaknesses in FRA's Safety Program, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-91-32, Apr. 11 (16 pages).

**FAA Staffing:  
New Pay Act Offers Options to Bolster Maintenance Work Force**

GAO/RCED-91-92, Apr. 2 (12 pages).

In 1987 GAO reported that the Federal Aviation Administration was experiencing a shortage of maintenance technicians for the air traffic control system. While FAA has hired new staff since then to replace retired technicians, an increasing work load and the many years it takes to train new technicians have reduced the agency's maintenance capability. As a result, FAA is taking other steps to preserve the reliability of the air traffic control system. For example, it is relying more on contractors for equipment maintenance, increasing use of overtime, and cutting maintenance coverage at some facilities. Although some operational problems have resulted, the system overall is safe and reliable. To further improve equipment maintenance, FAA proposes supplementing its in-house maintenance staff with contractors. However, the gap between FAA's maintenance capability and work load is beginning to close, and new legislation provides financial incentives to bolster technician staffing. In light of these developments, GAO believes that FAA's additional personnel requirements need to be revisited.

**Transportation:  
Status of GAO's Open Recommendations on Transportation Policies and Programs**

GAO/RCED-91-112, Apr. 10 (138 pages).

In January 1991, GAO issued its annual report summarizing findings and open recommendations resulting from GAO work at federal agencies for which satisfactory legislative or administrative actions had not been completed. That report discussed over 2,200 GAO recommendations that remained open as of September 30, 1990. This report on 142 open recommendations—138 in the transportation area and four in related areas—is being issued as a separate document to focus attention on matters of primary interest to congressional committees with transportation-related responsibilities.

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**Aviation Safety:  
Limited Success Rebuilding Staff and Finalizing Aging Aircraft Plan**

GAO/RCED-91-119, Apr. 15 (20 pages).

FAA has essentially rebuilt the air traffic controller work force since the 1981 strike, but staffing problems remain. FAA has made progress in increasing the size of two key safety work forces: air traffic controller and aviation safety inspectors. However, the number of full performance level controllers—FAA's most experienced and qualified controllers—remains below prestrike levels and disparities in staffing levels exist among FAA facilities. FAA has two initiatives under way to review the way it screens and trains new controllers; about 45 percent of the controller candidates fail the controller screening/training program at the FAA Academy each year at an estimated annual cost of up to \$13 million. On a related matter, GAO believes that the need is greater than ever for an overall plan to guide industry and government actions to address aging aircraft problems. Yet FAA has not completed its aging aircraft plan, and the recent draft reviewed by GAO lacks key information.

**Airline Competition:  
Weak Financial Structure Threatens Competition**

GAO/RCED-91-110, Apr. 15 (24 pages).

Over the past decade, high levels of debt along with restrictive operating and marketing practices have seriously undermined the financial position of several large airlines. More recently, the industry has had to contend with a recession, higher fuel prices due to the Iraqi invasion of Kuwait, and weakened demand arising from consumer fears about terrorism. The financial strain on airlines will further increase as carriers are forced to replace and renovate older aircraft. GAO's initial estimate is that these safety requirements will cost the industry at least \$1 billion over the next four years. Moreover, recent legislation requiring all aircraft to meet more stringent noise standards by the year 2000 will cost the industry an additional \$2.2 billion. Financial problems have already put two jet carriers out of business and threaten the survival of several others. Because many routes are served by only two or three carriers, the loss of even a single airline could have major implications for competition. Certain policy options, such as improving carriers' access to airports and reducing barriers resulting from marketing practices, could help relieve some of the competitive problems facing the industry. However, as long as the airlines continue to be burdened by excessive debt,

their ability to compete effectively and to earn a profit remains doubtful. If some carriers do cease operations, close monitoring of asset sales by the Department of Transportation and by the Department of Justice could help mitigate some of the loss of competition. Other options, including reregulating fares and routes and allowing increased foreign investment in the U.S. airline industry, either run counter to the intent of deregulation or require further study.

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## Testimony

Automobile Weight and Safety, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Consumer, Senate Committee on Commerce, Science, and Transportation. GAO/T-PEMD-91-2, Apr. 11 (14 pages).

Critics of proposed legislation to dramatically increase corporate average fuel economy have argued that stricter fuel efficiency standards can be achieved only if auto manufacturers increase production of lighter cars that are inherently less safe than heavier cars. In this testimony on the relationship between automobile size and safety, GAO submits that there is no clear and simple relationship between car size and occupant safety. GAO's main conclusion is that cars are not more dangerous simply because they are lighter. The highest fatality rates, in fact, are to be found in medium-weight cars, particularly in single-car crashes. In collisions involving two cars, occupants of the lighter car are at higher risk; however, GAO suggests that if the proportion of small cars on the road were to grow substantially, the fatality rate in two-car accidents would decline slightly due to the decreased likelihood of deadly collisions involving cars of unlike size.

Transportation Infrastructure: Department of Transportation Highway and Mass Transit Program Reauthorization Proposals, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Surface Transportation, House Committee on Public Works and Transportation. GAO/T-RCED-91-26, Apr. 18 (26 pages).

In this testimony, GAO provides its views on the proposed Surface Transportation Assistance Act of 1991. This five-year, \$105 billion package would reauthorize highway and highway safety programs at \$89.1 billion and mass transit programs at \$16.3 billion. GAO's comments focus on those aspects of the administration's reauthorization proposal that concern future federal spending, consolidation of highway programs, increased funding flexibility between mass transit and highways, and the outlook for highway safety.

Mass Transit: Reauthorization Offers Opportunity to Address the Appropriate Federal Role, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-91-41, Apr. 24 (23 pages).

This testimony discusses the Urban Mass Transportation Administration's grant programs and the five-year, \$16.3 billion reauthorization proposal. While GAO supports defining mass transit objectives in the context of a nationwide surface transportation system, GAO is concerned that the disproportionate funding increase for mass transit relative to highways—one percent versus more than 25 percent under the five-year proposal—tends to support the perception that transit is less important than highways. This disparity could hinder efforts to integrate transportation systems and to move people from cars to transit in congested areas. In addition, since federal transit funds could decrease in real dollars under UMTA's proposal and large demands exist for urban and rural transit systems, it is particularly important that UMTA ensures the judicious, prudent, and effective use of scarce resources and that grant recipients manage federal funds in the most efficient and economical way possible. To this end, UMTA needs to give particular attention to program planning and oversight to avoid the deficiencies of the present system.

Major Acquisitions: Top Management Attention Needed to Improve DOT's Acquisition Process, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-91-45, Apr. 24 (17 pages).

Dramatic increases in air travel have strained the capacity of the nation's air traffic control, and aging and obsolete equipment are compounding the problem. Replacement of outdated equipment is also essential to Coast Guard efforts to ensure the safety of life and property at sea; enforcing laws relating to drug smuggling, illegal immigration, and commercial fisheries; and protecting the marine environment. GAO testified that FAA has experienced substantial cost increases and delays in modernizing the air traffic control system and that the Coast Guard has had similar acquisition problems with its Patrol Boat Replacement project. GAO believes that an important way of controlling and monitoring acquisitions is for budgeting to be linked to the various phases of the acquisition process.

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## Veterans Affairs

### **VA Health Care: Alcoholism Screening Procedures Should Be Improved**

GAO/HRD-91-71, Mar. 27 (27 pages).

Alcoholism is a frequently overlooked health problem despite its significant medical, economic, social, and legal consequences. GAO looked at how physicians detect alcohol problems among veterans who have applied for treatment at Department of Veterans Affairs medical centers. During a 10-day period in late 1990, GAO surveyed over 2,000 veterans who had sought health care at five VA medical centers. The information from the survey strongly suggests that 29 percent of the veterans have alcohol problems, and suspicions were raised about an additional 14 percent of the veterans surveyed. Yet the five centers provided alcohol treatment to fewer than three percent of the veterans who had sought care during fiscal year 1990. Because GAO found that the screening practices for alcoholism varied widely at the five centers, it recommends that each medical center systematically screen veterans for alcohol problems when they first apply for health care. GAO summarized this report in testimony before Congress; see:

Alcoholism Screening Procedures at VA Medical Centers, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Senate Committee on Governmental Affairs. GAO/T-HRD-91-15, Apr. 18 (nine pages).



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