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Reports and Testimony: May 1991

Highlights

Military Base Closures

Army and Air Force recommendations for closing and realigning domestic bases as part of the military drawdown were adequately supported using Defense Department criteria, but inadequate documentation precluded GAO analysis of Navy decisions. Page 44.

Government-Sponsored Enterprises

With GSEs—which make credit available to farmers, homeowners, colleges, and students—now holding more than \$1 trillion in obligations, Congress should establish a GSE regulator, an oversight structure, and reasonable capital rules to protect taxpayers against losses GSEs could suffer due to adverse economic conditions. Page 19.

Pesticides in Groundwater

More than 40 percent of Americans use groundwater for drinking, yet five years after identifying 16 pesticides as groundwater contaminants, the Environmental Protection Agency has made only limited progress toward fully assessing their leaching potential or acting to protect groundwater. Page 14.

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Reports and Testimony: May 1991

Agriculture and Food

Short-Term Forecasting: Accuracy of USDA's Meat Forecasts and Estimates

GAO/PEMD-91-16, May 6 (76 pages).

After reviewing U.S. Department of Agriculture short-term forecasts and estimates of meat production, prices, and inventories, GAO concludes that they are reasonably accurate for the 1983-89 period. Comparisons of forecasts and estimates to actual production and price figures resulted in total error rates of less than six percent. In addition, USDA forecasts and estimates compared well to other available forecasts produced by the private sector. However, when forecasts were assessed month by month, larger error rates were evident, particularly during the early months of USDA's forecast cycle. Although overall errors rates were small, they did have a consistent bias error component. GAO believes that USDA can improve on these high error rates and especially on their consistent bias error.

Food Distribution Program: USDA's Canned Beef and Pork Can Be Improved

GAO/RCED-91-81, May 13 (52 pages).

USDA's food distribution programs provide a variety of surplus commodities to eligible recipients in need of food assistance. During a February 1990 visit to a North Dakota Indian reservation, Members of Congress were struck by the excessive fat and gristle in the USDA commodities being distributed. Although state distributing agencies have reported that both canned beef and pork are generally acceptable items, they have also at times found objectionable material in the food, like gristle. In addition, USDA has received complaints about other unappealing characteristics of canned beef and pork, like fatty layers and salty taste. Both canned beef and pork contain 99 percent meat, of which no more than 18 percent can be fat, and up to one percent added salt. The allowable fat content of USDA's canned beef and pork is less than that of retail fresh lean ground beef, and the salt levels in other products are both lower and higher than they are in USDA's canned beef and pork. USDA inspects its canned beef and pork for wholesomeness under the same procedures used for all meats intended for interstate trade. A number of alternative product specifications and processing methods could be used, however, to improve the appearance of both products.

**Food Safety and Quality:
Existing Detection and Control Programs Minimize Aflatoxin**

GAO/RCED-91-109, May 22 (47 pages).

Aflatoxin is a naturally occurring toxin produced by molds in crops like corn and peanuts. If eaten in sufficient quantities, aflatoxin can cause serious illness and even death; some scientists speculate that ingestion of even small amounts of aflatoxin may eventually cause cancer. According to regulators and food scientists, however, aflatoxin poses less of a domestic food safety risk than other hazards like salmonella poisoning and environmental contaminants. Unfavorable environmental conditions in U.S. agriculture, effective detection and control programs, and commercial milling/processing techniques and food preparation make high aflatoxin levels in domestic foods unlikely. In addition to discussing the relative risks of aflatoxin, this report examines federal, state, and industry efforts to detect and control aflatoxin.

**Food Assistance:
Readmitting Private Nonprofit Sponsors Into the Summer Food Service Program**

GAO/RCED-91-82, May 23 (18 pages).

Through the involvement of public and private nonprofit sponsors, USDA's Summer Food Service Program provides low-income children with nutritious meals during school vacation. Private sponsors, which had been excluded from the program since 1981 due to mismanagement, were reinstated in 1990 in order to reach children in areas not served by public sponsors such as schools and local governments. This report provides (1) a status report on USDA and state agency compliance with 1989 legislation that readmitted private sponsors like churches and community action agencies into the program, (2) information on the participation and compliance of private sponsors in the program, (3) observations on issues that might present problems for the program.

Testimony

Guaranteed Farm Loans by the Farmers Home Administration, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-91-55, May 14 (14 pages).

GAO testified on guaranteed farm loans by the Farmers Home Administration, including the implications of the shift in farm lending emphasis from direct to guaranteed farm loans. GAO is concerned about the expansion of the guaranteed farm loan program—a “high risk” area within the federal government—from the standpoint of the federal government’s exposure to financial risks. This risk could be significant given that FmHA has about \$21 billion in guarantee loan authority over the fiscal year 1991-95 period. Some commercial lenders are using guaranteed loans to “bail out” their financially stressed borrowers, effectively shifting risk from the lender to the federal government. In addition, FmHA is not always adequately overseeing loan making and servicing activities of commercial lenders. GAO is also concerned that the program may not serve the borrowers now receiving direct loans because the poor financial condition of many of these borrowers may make commercial lenders reluctant to finance them even with loan guarantees. As a result, these borrowers will likely require continued direct loan funding if they are to remain in farming. Yet the shrinking funding for direct loans will tighten the availability of credit for direct loan borrowers who cannot qualify for guaranteed loans. The need is becoming more urgent for difficult policy decisions on the extent to which FmHA should continue to assist these borrowers.

Farmers Home Administration: Appeals of Farm and Housing Loan Decisions, by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture, Nutrition, and Forestry, and before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-RCED-91-59, May 21 (12 pages).

This testimony, which examines the Farmers Home Administration’s appeals process for persons dissatisfied with FmHA loan decisions, is based primarily on an April 1991 GAO report (see GAO/RCED-91-106, Apr. 9). GAO discusses (1) the status of FmHA farmer loan program and rural housing loan program appeals, (2) the timeliness of holding appeal hearing hearings and implementing appeal hearings, and (3) the results of appeals broken down by whether applicants were minorities or nonminorities. GAO also comments on the methodology used by USDA’s Office of Inspector General in a recent study evaluating the quality of hearing officers’ decisions on appeals.

Federal Dairy Programs: Long-Term Market Solutions Needed to Solve the Surplus Problem, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition and Forestry. GAO/T-RCED-91-61, May 22 (nine pages).

Due to federal policy that supports the income of dairy farmers, high levels of dairy surpluses exist today. The Milk Diversion and Dairy Termination Programs in use in the 1980s were, by design, temporary fixes to reduce surpluses. Although these programs succeeded on a short-term basis, production and surpluses are again high, in part because other federal programs—milk marketing orders and price supports—continue to provide farmers with incentives to produce more milk than can be sold at prevailing prices. GAO believes that as part of a long-term solution, Congress needs to seek alternatives that would allow the nation's dairy farmers to make the transition to a more market-oriented structure over time, such as further reducing price supports to address high surplus levels.

Budget and Spending

Budget Issues: Funding Alternatives for Fire-Fighting Activities at USDA and Interior

GAO/AFMD-91-45, Apr. 4 (32 pages).

Although improvements were made in fiscal year 1990 in the funding methods used for fire-fighting activities by the Department of Agriculture and the Department of the Interior, potential problems remain with the current method used to fund fire-fighting activities. Although GAO found no conclusive evidence that the use of transfers to fund emergency fire costs harmed the programs and projects of the lending accounts, the potential for disruption exists. The use of transfers also tends to underestimate costs associated with fire fighting in the budget. Finally, the current method provides opportunities to use funds intended for emergency purposes to fund nonemergency fire-fighting activities. GAO has developed four methods to fund fire-fighting activities that provide benefits over the method used for fiscal year 1990. Of the four, GAO believes that using current definite budget authority for emergency fire activities best meets the criteria GAO developed for addressing alternatives.

Impoundments:

Unauthorized Deferral of Funds Intended for Procurement of Production Representative V-22 Osprey Aircraft

GAO/OGC-91-8, May 7 (six pages).

This letter reports a deferral of Defense Department budget authority that should have been, but was not, reported to Congress by the President in accordance with the Impoundment Control Act of 1974. This deferral involves \$165 million earmarked for advance procurement of the V-22 Osprey tilt-rotor aircraft. In GAO's view, the Administration's decision not to obligate the funds in fiscal year 1991 for advance procurement of production representative V-22s but instead to seek their transfer to another account that, in all probability, will not be used in fiscal year 1991, is an attempt to replace the policy decision already made by Congress with its own. Since the Act does not authorize deferrals for policy reasons, GAO concludes that the deferral is unauthorized.

Impoundments:

Notification of Released Funds Proposed for Rescission But Not Approved by Congress

GAO/OGC-91-10, May 31 (three pages).

This letter reports on the status of budget authority that the President proposed for rescission in his third special impoundment message for fiscal year 1991, but for which Congress did not pass a rescission bill. Unless Congress takes action on a rescission bill within 45 days after it receives the rescission proposal, the funds proposed for rescission must be made available for obligations. GAO confirms that on the day after the 45-day period ended—May 13, 1991—the Office of Management and Budget made all funds proposed for rescission available for obligation to the agencies for which they were appropriated. GAO's letter is accompanied by a listing of the rescission proposals for which funds were withheld.

Small Business:

Information on and Improvements Needed to Surety Bond Guarantee Programs

GAO/RCED-91-99, Apr. 23 (52 pages).

Since 1971 the Small Business Administration's Surety Bond Guarantee Program has helped qualified small businesses obtain bonds required for construction and service contracts from surety companies, bonds that would be unobtainable without an SBAGuarantee. Because minorities were having a particularly hard time obtaining bonds, Congress passed legislation in 1988 establishing a Preferred Surety Bond Guarantee Program, which allows selected surety companies to underwrite and issue SBA-guaranteed bonds without prior SBA review and approval. This report provides information on (1) Surety Bond Guarantee Program activities during fiscal years 1987-89, to be used as a baseline for determining the impact of the pilot program, and (2) the status of the pilot Preferred Surety Bond Guarantee Program.

**Insurance Regulation:
State Handling of Financially Troubled Property/Casualty Insurers**

GAO/GGD-91-92, May 21 (52 pages).

In response to the mounting failures of banks and thrifts during the 1980s, GAO has recommended that bank regulators (1) promptly resolve bank problems when they are first evident and (2) quickly close all failed institutions. In GAO's view, the same basic principles, if applied to the regulation of insurance companies, would help protect state guaranty funds against large losses. Although regulation of insurer solvency has been delegated to the states, the federal government retains power to regulate insurance. GAO found that state insurance regulators have been slow to take formal action against many financially troubled companies. Among the many possible reasons for regulatory delay are reliance on untimely or unverified information, lack of legal or regulatory standards for defining a troubled insurer, and a vague and unspecified statutory definition of insolvency. More frequent submission of independently certified financial information, a uniform standard for determining if an insurer is financially troubled, and a uniform legal definition of insolvency would be a step forward in protecting policyholders and state guaranty funds.

Testimony

Insurance Regulation: Assessment of the National Association of the Insurance Commissioners, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-GGD-91-37, May 22 (53 pages).

Although the insurance industry operates on a national scale, the state-by-state system of insurance solvency regulation is patchwork and characterized by varying regulation and a lack of uniformity. The National Association of the Insurance Commissioners has stepped into the breach and has successfully prescribed reporting requirements to achieve uniformity in some areas of state solvency regulation; it has been less successful with its model laws, however, which must be adopted by each state. While the Association is trying to create a national system of effective solvency regulation through its accreditation program, GAO does not believe that state adoption of current Association standards will achieve a consistent and effective system of solvency regulation. In GAO's view, the underlying standards for accreditation are often undemanding and, in some cases, inadequate. Even if the Association devised sufficiently stringent standards for effective solvency regulation, GAO doubts whether the Association can surmount a fundamental obstacle to its long-term effectiveness as a regulator: the Association lacks the authority to compel state action or to sustain its own reforms.

Civil Rights

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis of Underrepresentation Needed

GAO/GGD-91-86, May 10 (24 pages).

Federal agencies are required to have affirmative action programs to eliminate the historic underrepresentation of women and minorities in the federal work force. Over the past five years, federal agencies have made progress in diversifying their work force, but women and minorities are often still underrepresented—particularly at higher grade levels. GAO found that (1) the Equal Employment Opportunity Commission has approved agency affirmative action plans even though agencies have not included all the required data or analyses, (2) the Commission's approval process has been lengthy and lacks timeliness standards, and (3) agencies have not submitted timely affirmative action employment plans. GAO also used data in agency plans to indicate analyses that could be used to better pinpoint specific areas for improvement and to develop and implement corrective actions. GAO summarized this report in testimony before Congress; see:

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis of Underrepresentation Needed, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-91-32, May 16 (16 pages).

Testimony

Within-School Discrimination: Inadequate Title VI Enforcement by Education's Office for Civil Rights, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Employment and Productivity, Senate Committee on Labor and Human Resources. GAO/T-HRD-91-17, May 17 (10 pages).

Little is gained from school desegregation if minorities 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.

Economic
Development

Testimony

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-91-39, May 15 (eight pages); and

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Water Resources, Transportation and Infrastructure, Senate Committee on Environment and Public Works. GAO/T-RCED-91-57, May 15 (eight pages).

This testimony discusses the federal, state, and local responses to Hurricane Hugo in September 1989 and to the Loma Prieta earthquake in October 1989. The severity of these nearly simultaneous events highlighted problem areas in three phases of disaster management: preparedness, immediate response, and recovery. These problem areas need federal, state, and local agencies' attention to help improve the response to future disasters.

Education

Testimony

Student Aid Information and Private Tuition-Guarantee Programs, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Postsecondary Education, House Committee on Education and Labor. GAO/T-PEMD-91-6, May 15 (20 pages).

The major federal strategy to stimulate the pursuit of higher education is to provide student aid; however, little is gained from that approach if important information about that aid fails to reach students and their parents. Families need to be aware of the facts about student aid in order to accurately estimate costs and plan for the future. Currently, knowledge of available student aid is limited and inaccurate, and many students who could probably benefit from higher education end their schooling early. This testimony discusses the knowledge gap and the kinds of promising practices that address not only that gap but also the larger barriers that must be surmounted if more young people, especially those from poor and minority backgrounds, are to pursue higher education.

Vulnerabilities in the Stafford Student Loan Program, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Postsecondary Education, House Committee on Education and Labor. GAO/T-HRD-91-33, May 29 (14 pages).

GAO testified on ways to further improve student financial aid programs run by the Department of Education. In recent years, these programs have been the subject of much scrutiny—much of it focused on student-borrowers who have defaulted on Stafford student loans. The Comptroller General has identified the guaranteed student loan program as one of 16 federal programs in which internal and management control

breakdowns are placing the government at risk. Some of these weaknesses relate to the Department of Education's administration of the program, while others can be traced to provisions of the Higher Education Act. The administration has proposed a series of legislative changes that, if enacted, should address many of the program's shortcomings. GAO makes several recommendations that it believes will provide Congress and the Department with the impetus for correcting many of the deficiencies in the Stafford program and will lead to more efficient and effective delivery of loans to eligible students.

Employment

Occupational Safety & Health: OSHA Policy Changes Needed to Confirm That Employers Abate Serious Hazards

GAO/HRD-91-35, May 8 (16 pages).

In the past, both GAO and the Department of Labor's Inspector General have questioned the adequacy of efforts by the Occupational Safety and Health Administration to ensure that employers are correcting hazards identified during inspections. According to this report, OSHA's policies and procedures for confirming employer correction of a violation—known as abatement—have limitations that affect its ability to detect employers who have failed to abate safety and health hazards. OSHA's policies are incomplete in two ways: (1) they do not require but only request employers to provide evidence of abatement and (2) they inadequately address confirmation of abatement of hazards found at construction worksites.

Testimony

Amending the Job Training Partnership Act: Inadequate Oversight Among Issues That Need to Be Addressed, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Employment Opportunities, House Committee on Education and Labor. GAO/T-HRD-91-28, May 9 (18 pages).

The Job Training Partnership Act, the nation's main job training effort for the economically disadvantaged, has been relatively successful measured by established performance standards. There is, however, significant room for improvement. In GAO's view, the Department of Labor's legislative proposal to amend the Act is a step in the right direction, particularly as it applies to assessing participant training needs and designing appropriate training strategies, minimizing the sole use of job

search assistance, and providing more definitive guidance on the length of on-the-job training. As currently drafted, some changes suggested by Labor are already being met by the program, while others are not addressed. Labor's proposed requirements to target the hard-to-serve are not being met, and thus would result in little change in who is being served. Further, GAO believes that Labor's proposal to add adult competencies as a performance standard will undermine one of the basic purposes of the program—an increase in participants' employment and earnings. GAO also believes that standard definitions of some terms and an expansion of program data collection are needed. An issue largely ignored by Labor's proposal is program oversight. Improper management practices are going undetected, leaving the Job Training Partnership Act vulnerable to waste, abuse, and mismanagement.

OSHA's Oversight of Federal Agency Safety and Health Programs, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on the Civil Service, House Committee on Post Office and Civil Service. GAO/T-HRD-91-31, May 16 (nine pages).

GAO testified on (1) the Occupational Safety and Health Administration's oversight of federal agencies' occupational safety and health programs, which are required by law for federal but not private sector employees, and (2) OSHA's enforcement approach for federal agencies compared with its approach for private sector employees. GAO concludes that OSHA is not conducting the required annual comprehensive evaluations of federal agency safety and health programs, but it is conducting compliance inspections at individual worksites, as it does in the private sector.

Energy

Nuclear Waste: Problems and Delays With Characterizing Hanford's Single-Shell Tank Waste

GAO/RCED-91-118, Apr. 23 (13 pages).

Does the Department of Energy know enough about the high-level radioactive wastes stored in 149 underground single-storage tanks at its Hanford site to determine appropriate disposal options or to develop technologies for retrieving the wastes from the tanks and treating them? Characterization, the first major step in disposing of single-shell tanks wastes, involves determining through sampling and analysis the physical, chemical, and radiological contents of the wastes in each tank. This report examines the status of DOE's efforts to characterize the single-

shell tank wastes and discusses any impediments, like technological limitations and safety considerations.

**Alternative Fuels:
Increasing Federal Procurement of Alternative-Fueled Vehicles**

GAO/RCED-91-169, May 24 (24 pages).

The Alternative Motor Fuels Act of 1988 encourages the development and widespread use of methanol, ethanol, and natural gas fuels as alternatives to gasolines, and the production of vehicles to use these fuels. DOE's progress in implementing the legislation has been slower than expected since funding was first provided in October 1989, and this report discusses the reasons why. GAO agrees that federal leadership in the procurement of alternative-fueled vehicles is desirable. In GAO's view, however, a gradual approach, coupled with performance and emissions data collection and incentives for developing a fueling infrastructure, might provide a more balanced and less risky strategy. In the final analysis, the extent to which alternative fuels are competitively priced with gasoline will determine their use.

**Fossil Fuels:
DOE's Effort to Provide Clean Coal Technology to Poland**

GAO/RCED-91-155, May 22 (nine pages).

The Department of Energy is working with Polish officials to retrofit a coal-fired powerplant in Poland with advanced clean coal technology that has been used successfully in the United States. Legislation requires that the retrofit be done by U.S. companies using U.S. technology and equipment manufactured in this country. In response to comments it received from coal industry representatives before bids were solicited, DOE revised its original definition of a U.S. firm to eliminate the requirement that at least 50 percent of the firm's voting stock be owned by U.S. citizens. The reasoning was that this would enable more companies to compete for the contract. GAO concludes that DOE has discretion in defining what constitutes a U.S. company and agrees with DOE's Office of General Counsel that DOE's revised definition—a corporation incorporated under the laws of the United States—is consistent with the Support for East European Democracy Act of 1989. DOE also lowered the emission reduction level from 70 percent to 65 percent of SO_2 emitted because of concerns about inadequate competition for the contract. DOE estimates that as a result of these changes an additional 10 companies

would be eligible to compete for the project. DOE plans to award the contract in the fall of 1991.

Testimony

Nuclear Waste: Changes Needed in DOE User-Fee Assessments, by Judy England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-91-52, May 8 (11 pages).

GAO testified on the Department of Energy's procedures for annually assessing the adequacy of the fee that utilities pay for disposal of spent, or used, nuclear fuel. In a June 1990 report, GAO recommended that Congress authorize DOE to automatically adjust the fee to the rate of inflation. While DOE favored fee indexing at that time, it later reversed its position, and GAO now believes that Congress should require the indexing of the fee to the inflation rate. GAO also discussed DOE's expenditures on the Yucca Mountain, Nevada, repository project.

Environmental Protection

Pesticides: EPA Could Do More to Minimize Groundwater Contamination

GAO/RCED-91-75, Apr. 29 (80 pages).

About 40 percent of the American people—over 90 percent in rural areas—depend on groundwater for their drinking supply. GAO concludes that the problem of groundwater contamination is one for which an ounce of prevention is worth a pound of cure; should groundwater contamination continue, solving the problem will be costly and difficult. Five years after identifying 16 pesticides as groundwater contaminants, however, the Environmental Protection Agency has done little to fully assess their leaching potential or to protect groundwater. In addition, EPA has not fully taken advantage of available regulatory measures. State management plans, the focus of EPA's major new regulatory program, have been neither implemented nor evaluated. GAO believes that EPA, instead of waiting for this new program, should promptly take preventive action. GAO summarized this report in testimony before Congress; see:

EPA Should Act Promptly to Minimize Contamination of Groundwater by Pesticides, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-91-46, May 8 (17 pages).

**Environmental Protection:
Solving NASA's Current Problems Requires Agencywide Emphasis**

GAO/NSIAD-91-146, Apr. 5 (35 pages).

Through internal assessments and inspections by its environmental regulators, NASA has identified various environmental problems at its centers, including leaking underground storage tanks, exposed asbestos, and mercury spills. While NASA has undertaken or has planned many costly projects to combat these problems, the total cost of these efforts is unknown, partially because environmental costs are not always specifically identified in the budget. Also, for many contaminated sites, it is unclear what cleanup will be done until required studies are completed. GAO concludes that NASA has not adequately implemented its policy to prevent, control, and abate environmental pollution. NASA has delegated responsibility for implementing its environmental pollution policy to its centers without establishing an agencywide strategy and an effective monitoring and management system.

Testimony

Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1992, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations. GAO/T-RCED-91-28, May 1 (13 pages).

The 1992 operating budget requested for EPA appears appreciably higher than its budgets in previous years—\$2.5 billion, a 7-percent increase over the 1991 budget. EPA's budgets for the past decade, however, have not increased in 1982 constant dollars despite the agency's growing responsibilities. Also, more than 70 percent of the 1992 increase represents funds to implement the 1990 amendments to the Clean Air Act. That increase is balanced by cuts in other programs; in fact, the gains in the operating budget are illusory because in constant dollars the proposed budget is \$1.76 billion, compared with \$1.7 billion in 1991. GAO concludes that revisions to current policies and program

management, aimed at more cost-effective ways of achieving environmental goals, are advisable, because EPA's budget is unlikely to increase substantially in the foreseeable future.

Greater EPA Leadership Needed to Reduce Nonpoint Source Pollution, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-91-34, May 1 (21 pages).

GAO testified on the barriers that may be inhibiting state and local efforts to control nonpoint source pollution of water and on how EPA can better focus federal efforts to reduce nonpoint source pollution. GAO also offers observations about the likely impacts of EPA's 1992 budget proposal on its efforts in this area. Barriers identified range from technical to political; EPA's plans for dealing with these barriers will fall short, especially since the agency's resource allocations between point source and nonpoint source pollution control reflect an inappropriate emphasis on point source pollution programs at the expense of nonpoint source pollution control programs.

SARA Capacity Assurance: Data Problems Underlying the 1989 State Assessments, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Environment, Energy and Natural Resources, House Committee on Government Operations. GAO/T-PEMD-91-4, May 2 (31 pages).

In this testimony, GAO examines the design of EPA's hazardous waste reporting systems—which collect data on waste production, prevention, treatment, storage, and disposal—and the data that the states have produced under the Superfund Amendments and Reauthorization Act of 1986 (SARA), which are based on data provided by EPA's systems. GAO concludes that (1) EPA's systems and data they produce are severely flawed, (2) many of these flaws could have been avoided, and (3) some appropriate methodological revisions in the underlying system design could greatly improve the country's future ability to rely on the data produced by the SARA capacity assessments.

Radon Testing in Federal Buildings Needs Improvement and HUD's Radon Policy Needs Strengthening, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environment and Public Works. GAO/T-RCED-91-48, May 8 (19 pages).

GAO testified on federal efforts to reduce the hazards of radon, a naturally occurring, colorless, odorless gas that has been shown to cause lung cancer. Over half of the federal agencies have completed their initial tests of federally owned buildings in high-risk areas for radon. Several agencies discovered high radon levels and are making additional tests and, in some cases, taking action to protect federal workers. Despite this progress, GAO has concerns about the following: at least one agency used radon detectors and measurement firms that were not approved by EPA as meeting minimum proficiency standards; many radon detectors were lost at some agencies, and retesting may be required; some agencies did not use or fully implement EPA's recommended quality assurance procedures; and delays in retrieving detectors at one agency raise questions about the accuracy of its tests. On a related matter, GAO is concerned that the Department of Housing and Urban Development's proposed radon policy does not include testing and mitigation programs to protect residents of public housing. Instead, HUD is suggesting a four-year research program before deciding on an appropriate policy. This policy fails to recognize that EPA has, in fact, already set testing and mitigation procedures that are being applied to a variety of circumstances by the public and the federal government.

Pesticides: EPA and State Efforts to Ensure Safe Use of Lawn Care Pesticides, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Toxic Substances, Environmental Oversight, Research and Development, Senate Committee on Environment and Public Works. GAO/T-RCED-91-50, May 9 (15 pages).

GAO testified on EPA's progress in reassessing the health risks of widely used lawn care pesticides. Since GAO's March 1990 report on this topic, EPA has made little progress in reassessing the health and environmental risks of most commonly used pesticides applied to lawns. Of the most widely used pesticides, none of those subject to reregistration has been completely reregistered. On a related matter, GAO testified that only about half the states require companies to notify the public when applying pesticides to residential lawns.

Observations on Compliance and Enforcement in EPA's Drinking Water Program, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-RCED-91-47, May 10 (15 pages).

A June 1990 GAO report documented that many water systems, particularly smaller ones, were violating requirements for water quality monitoring and drinking water standards. Enforcement actions by states and by the Environmental Protection Agency, intended to deter such violations and return systems to compliance, often fell short of EPA's program requirements and were often ineffective in achieving their objectives. GAO testified that since then, EPA has addressed several of these problems, mainly through new guidance to EPA regions or the states. However, the lack of an oversight component in EPA's planned actions is significant because many of the problems cited in GAO's 1990 report stemmed from inadequate oversight by both EPA headquarters and its regional offices. Finally, the need for more resources for water systems, states, and EPA itself also poses a daunting challenge, particularly since new regulations are going into effect that will significantly increase program responsibilities for nearly all of the nation's 59,000 community water systems. EPA efforts to help states find additional resources have met with mixed success. Even so, continued efforts such as these are essential because they offer at least some hope that vital programs like sanitary surveys and operator certification programs can be funded.

Observations on EPA and State Enforcement Under the Clean Water Act, 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-91-53, May 14 (14 pages).

GAO testified that strong enforcement by the Environmental Protection Agency and the states is fundamental to the success of EPA's water quality programs. Effective enforcement serves as a deterrent to violations and, when violations do occur, helps to ensure that corrective action is taken in a timely manner. Yet enforcement of water quality laws remains weak and sporadic. Despite serious and longstanding violations, most enforcement actions are mild, informal "slaps on the wrist" rather than formal actions like administrative orders or fines and penalties. Even in the rare cases in which penalties have been assessed, they are often significantly reduced or dropped without adequate documentation. Without enforcement, industrial dischargers have little incentive to incur the cost of pollution control. At the same time, those firms that do abide by program requirements are unfairly placed at a competitive disadvantage with those who opt not to invest in pollution control equipment and practices. Effective enforcement programs, in turn, need criteria that identify significant noncompliance and timely and appropriate enforcement actions, coupled with vigilant EPA oversight.

Financial Institutions

Government-Sponsored Enterprises: A Framework for Limiting the Government's Exposure to Risks

GAO/GGD-91-90, May 22 (136 pages).

Government-sponsored enterprises (GSE), which make credit readily available to farmers, homeowners, colleges, and students, now hold more than a trillion dollars in obligations, and that amount is growing rapidly. While evidence suggests that GSEs are now generally in sound condition, economic downturns or other calamities could precipitate future GSE losses. The speed with which a firm can go from apparently sound to financially imperiled was vividly demonstrated in the thrift industry, the Farm Credit System, and Fannie Mae in the early 1980s. GAO recommends that Congress (1) provide a GSE regulator with appropriate enforcement authorities, (2) establish a new federal regulatory structure to administer GSE oversight, and (3) establish reasonable capital rules based on the risks undertaken by the GSEs. GAO summarized this report in testimony before Congress; see:

Improved Regulatory Structure and Minimum Capital Standards Are Needed for Government-Sponsored Enterprises, by Harry S. Havens, Assistant Comptroller General, who testified before several congressional committees. See GAO/T-GGD-91-28, May 10; GAO/T-GGD-91-31, May 15; GAO/T-GGD-91-35, May 21; and GAO/T-GGD-91-34, May 22 (nine pages).

Stock Market Automation: Exchanges Have Increased Systems' Capacities Since the 1987 Market Crash

GAO/IMTEC-91-37, May 10 (17 pages).

During the October 1987 market crash, stock markets' automated systems for routing orders and making trades had problems processing the unanticipated trading volumes. Since then, all six stock markets—the New York Stock Exchange, the National Association of Securities Dealers, the American Stock Exchange, the Midwest Stock Exchange, the Pacific Stock Exchanges, and the Philadelphia Stock Exchange—have increased the capacity of their automated systems. To ensure that their systems operate as planned, all six stock markets have done stress tests to simulate trading volumes higher than any previously experienced. The improvements made by the exchanges should better enable them to process daily trading volumes greater than those experienced in October 1987 and October 1989.

**Oil Prices:
Analysis of Oil Futures Market Prices Since Iraq's Invasion of
Kuwait**

GAO/GGD-91-73BR, May 16 (49 pages).

GAO reviewed a report by the Commodity Futures Trading Commission on the movement of oil prices between July 30 and September 28, 1990, the period roughly corresponding to the Iraqi invasion of Kuwait. GAO reaches the same conclusion that CFTC reached—that oil futures prices reflected actual changes in supply and demand conditions. Furthermore, the data since September point to the same conclusion. Significantly, this latter period includes the largest single-day price movement for crude oil on record (down \$10.55 on January 17, 1991). This extreme movement did not lead to a breakdown or other problems in the futures market.

Testimony

Resolving Large Bank Failures, by Johnny C. Finch, Director of Planning and Reporting in the General Government Division, before the Subcommittee on Economic Stabilization, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-91-27, May 9 (12 pages).

Regulatory policies for resolving large bank failures have successfully protected the stability of the U.S. financial system but have reduced the incentives for owners and managers of large institutions to run their banks in a safe and sound manner. They have also placed small banks at a competitive disadvantage. GAO recommends several reforms to control the ability of banks—especially those that are large and poorly managed—to attract deposits while maintaining continued market stability. First, better supervision of banks is essential. Second, capital requirements should be strengthened to discourage bank owners and managers from taking excessive risks, and large banks should be required to hold subordinated debt. Third, disclosure policies that give depositors and the public better information on the condition of banks must be adopted if uninsured depositors are to be placed at greater risk. Finally, depositors with over \$100,000 should be provided the option of insuring those deposits at an additional cost. In GAO's view, it would be beneficial in the long-term to make de facto protection much less predictable for uninsured depositors. Pursuit of this goal, however, should in no way compromise the ability of the Federal Reserve and the Federal Deposit Insurance Corporation to take whatever actions are needed to protect the stability of the system.

Financial Management

Defense Contract Audits: Current Organizational Relationships and Responsibilities

GAO/AFMD-91-14, Apr. 3 (19 pages).

This report discusses the organizational relationships and responsibilities for contract auditing within the Department of Defense. GAO provides information on (1) the delineation of contract auditing responsibilities within DOD, (2) the determination of the Defense Contract Audit Agency's contract auditing priorities and changes in the Agency's work load since the DOD Inspector General was established in 1982, and (3) whether alternative organizational structures would improve contract auditing in DOD.

Financial Audit: House Child Care Financial Statements for the Years Ending 8-31-90 and 8-31-89

GAO/AFMD-91-59, Apr. 26 (15 pages).

The child care center at the House of Representatives is a nonprofit organization that provides preschool child care for offspring of Members of Congress, House employees, and—if space is available—employees in the Senate and other legislative branch agencies. GAO audited the balance sheets of the House of Representatives Child Care Center, Inc. for fiscal years 1989 and 1990 and the related statements of revenue, expenses, and fund balance and cash flows and found that they present fairly, in all material respects, the financial position of the Center and the results of its operations and cash flows in conformity with generally accepted accounting principles.

Financial Audit: Farmers Home Administration's Financial Statements for 1989 and 1988

GAO/AFMD-91-36, May 6 (53 pages).

GAO's opinion on the Farmers Home Administration's consolidated financial statements is qualified for both fiscal years 1989 and 1988 because GAO was unable to satisfy itself that the acquired farm and rural housing property accounts were presented fairly. Specifically, GAO's opinion discloses that (1) accounting records used to support the reported amount of FmHA's acquired property were inaccurate and (2) reports produced

by the Acquired Property Tracking System were not properly reconciled with the detailed acquired property files at FmHA field offices. GAO's report on FmHA's internal control structure discusses the problem with the acquired property tracking system and an additional internal control weakness related to the new farm loan classification system's inability to project loan losses on FmHA's \$22 billion direct farm loan portfolio. GAO has identified FmHA as a high-risk area within the federal government, and this report discusses the nature and extent of problems associated with FmHA systems and programs. This report also contains a discussion and analysis for the three fiscal years, 1987 through 1989, that GAO has audited FmHA's financial statements. GAO's analysis focuses on FmHA operations and presents trends in FmHA's operations, including the status of its loan portfolio. FmHA's cumulative deficit from operations totaled \$40.6 billion at the end of fiscal year 1989. The extent of FmHA losses in the future will depend on the health of the agricultural economy because its portfolio tends to expand during periods of economic stress and to contract when the farm economy improves. Being a lender of last resort, FmHA will consistently operate at a loss because (1) many loans are not repaid and (2) it loans money at a lower rate than it pays the U.S. Treasury for borrowing money. When more loans are provided, the interest rate subsidy costs rise and more loans are not repaid. The extent of losses will also depend on FmHA efforts to improve its processes for making and servicing loans and its oversight of acquired properties.

Testimony

Bureau of Indian Affairs' Efforts to Reconcile, Audit, and Manage the Indian Trust Funds, by Jeffrey C. Steinhoff, Director of Civil Audits, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-AFMD-91-6, May 20 (20 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 50 years but never reconciled periodically. GAO discusses (1) the chronology of the reconciliation project's planning and development, (2) the difficulty of completing the project, (3) the need for a strategic plan for the trust fund for financial management improvement, (4) how the Bureau can use the Chief Financial Officers Act of 1990 to help build a strong financial management structure, and (5) potential options for managing the Bureau's trust fund program.

Government Operations

Postal Service: Annual Distribution of 1990 Marketing Costs

GAO/GGD-91-77BR, May 8 (19 pages).

The Marketing and Customer Service Group of the U.S. Postal Service handles advertising, product marketing, and market research along with philatelic and retail services. Concerns had been raised that the spending patterns of the group might be similar to those disclosed in the past at other federal agencies where obligations were made in the final days of the fiscal year to avoid a loss of budget authority and to reduce the likelihood of cuts in future appropriations. This briefing report discusses in detail the end-of-fiscal year 1990 spending practices of the group.

Postal Service: Transfer of Mail Processing From Parkersburg to Clarksburg, WV, Makes Sense

GAO/GGD-91-79, May 8 (12 pages).

This report examines the U.S. Postal Service's plan to transfer outgoing mail processing from Parkersburg to Clarksburg, West Virginia. Although the original plan for handling Parkersburg's outgoing mail would have adversely affected Parkersburg's service commitments, the recent increase of sorting capacity at Clarksburg will enable it to meet service commitments to Parkersburg. The alternative of having Parkersburg continue to manually process outgoing mail would add to the Postal Service's costs without a service benefit and would become increasingly anomalous as mail processing becomes fully automated nationwide, which is expected by 1995.

**Consulting Services:
Contract Obligations for Fiscal Years 1987, 1988, and 1989**

GAO/GGD-91-62FS, May 8 (23 pages).

Federal agencies are required to report certain data on consulting contracts exceeding \$25,000 to the Federal Procurement Data Center, which runs a computer system that collects, develops, and disseminates this information. Among the items to be reported are the amount of the contract, the main type of product or service procured, and whether the contract is considered a consulting service. This fact sheet provides information on consulting services contract obligations by federal agencies. GAO discusses the extent to which federal agencies incurred obligations for consulting services for fiscal years 1987-89 as reported by the Federal Procurement Data Center.

**Federal Buildings:
Actions Needed to Prevent Further Deterioration and Obsolescence**

GAO/GGD-91-57, May 13 (76 pages).

Reports of deterioration in the nation's dams, bridges, and highways have become all too familiar. Less well known is the mounting evidence of deterioration in federally owned buildings. For example, the Pentagon—now 50 years old—needs a billion-dollar overhaul to overcome decades of neglect. Other federal buildings, though not in as bad a shape as the Pentagon, need at least \$3 billion worth of repairs and alterations. GAO's analysis of 25 federally owned buildings showed that over one-third have had maintenance deferred, including repair and replacement of leaking roofs and plumbing systems, installation of fire alarms and sprinklers, and upgrading of electrical and heating systems. As a result, the value of federal assets has deteriorated, workers have had to endure poor quality work space, agency operations have been impeded, and employees' health and safety have been jeopardized. Funding limitations and ineffective GSA management and oversight of identified repair and alteration requirements are the two main reasons why buildings have been neglected and gradually allowed to become antiquated and even unsafe.

**Federal Personnel:
Review of Evaluation of Personnel Demonstration Project at
Commerce**

GAO/GGD-91-93, May 14 (14 pages).

The Office of Personnel Management was required to hire a qualified evaluator to examine the personnel management demonstration project at the Commerce Department's National Institute of Standards and Technology. This report provides GAO's assessment of the evaluations' design and implementation during 1988 and 1989, the evaluations' first two years. The evaluator for those years was University Research Corporation of Bethesda, Maryland; the current evaluator is HumRRO International, Inc., of Alexandria, Virginia. GAO found that the evaluation of the NIST project's first two years was not sound. Although it proposed a relatively strong research design for the study, the evaluator's implementation of that design was flawed. GAO brought these concerns to OPM, which directed its new contractor to address these issues and provided additional funding for the evaluation.

**U.S. Mint:
Procurement of Clad Metal for Coins**

GAO/GGD-91-78BR, May 17 (18 pages).

The briefing report examines the U.S. Mint's procurement of clad material, which consists of layers of metal bonded together. The U.S. Mint buys this material in strips from a private contractors and uses it to make dimes, quarters, and half dollars. GAO discusses (1) the extent of competition and trend in prices paid for clad material; (2) possible alternatives to the current contract arrangement; (3) the possible disruption of the U.S. coinage supply if the single government supplier were unable to meet contract requirements because of a prolonged strike, natural disaster, or other factors; and (4) the capacity of the current supplier to meet potential short-term demand if a new dollar coin were authorized.

**Federal Aid:
Programs Available to State and Local Governments**

GAO/HRD-91-93FS, May 22 (31 pages).

This fact sheet provides information on federal financial assistance programs (grants and direct payments) for which state and local governments are eligible applicants. It discusses 606 federal programs, with estimated obligations of \$155.3 billion, available to such governments in fiscal year 1990. In addition, it includes the Catalog of Federal Domestic Assistance number identifying the federal funding agency, program name, types of financial assistance, eligibility, budget function, and estimated funds obligated.

**Federal Office Space:
Comparison of Construction Costs for New Judiciary and Navy Buildings**

GAO/GGD-91-87BR, May 30 (15 pages).

A recent newspaper article reported that the Judiciary office building being constructed next to Washington's Union Station will cost about \$100 per square foot. In contrast, the General Services Administration has said that it will spend about \$273 dollars per square foot for two Navy office buildings in Northern Virginia. This report compares the construction costs of the Judiciary and Navy office buildings, calculating costs per square foot according to total gross space, gross office space, and occupiable office space.

Testimony

Service to the Public: How Effective and Responsive Is the Government?, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the House Committee on Ways and Means. GAO/T-HRD-91-26, May 8 (20 pages).

Are the American people getting their money's worth from the federal government? A lot will be required of the government and its managers to operate more efficiently and effectively in the years ahead, GAO testified, but positive signs are on the horizon. In general, the problems of the government are its management, not its people. To improve management, agencies need to develop strategies to overcome disruptive effects of leadership changes, such as long-range plans and sound financial management systems. They also must become accustomed to operating with the customer's needs in mind and to measure performance accordingly. Congress can play an important role in this type of reform by supporting agency efforts in the following three areas: quality management, stewardship of public funds, and more systematic program evaluation.

Health

Medicaid: HCFA Needs Authority to Enforce Third-Party Requirements on States

GAO/HRD-91-60, Apr. 11 (17 pages).

States are supposed to resort to Medicaid payment for health care only after a recipient's other health care resources have been tapped. The Health Care Financing Administration, however, has identified significant state noncompliance with federal third-party requirements. Although HCFA has not estimated Medicaid program losses resulting from this noncompliance, GAO found more than \$175 million in backlogged claims in two states for which third parties may have some liability. The Omnibus Budget Reconciliation Act of 1985, while imposing additional third-party requirements on states, has severely limited HCFA's enforcement authority. As a practical matter, HCFA's authority to enforce third-party requirements with financial penalties is almost nonexistent. To encourage states to comply with these requirements and, when they do not, ensure that the federal government does not contribute to Medicaid payments, Congress should broaden HCFA's authority to impose financial penalties.

Medicaid: Alternatives for Improving the Distribution of Funds

GAO/HRD-91-66FS, May 20 (28 pages).

In December 1990, GAO testified before Congress on the fairness of the formula use to distribute Medicaid funds to the states. GAO suggested replacing the existing per capita income factor with two other factors: (1) total taxable resources and (2) people in poverty. To illustrate their effect, GAO offered one alternative, designed to be budget neutral, that lowered the minimum federal reimbursement rate from its current value of 50 to 40 percent. This would reduce reimbursements to those states with high incomes and low poverty rates. In this fact sheet, GAO describes this alternative and several others meant to improve the distribution of Medicaid funds. Each alternative uses the two factors replacing per capita income, but differs in the size of the minimum federal reimbursement rate and the level of federal funding.

**Medical Malpractice:
Data on Claims Needed to Evaluate Health Centers' Insurance
Alternatives**

GAO/HRD-91-98, May 2 (13 pages).

To help provide health care to vulnerable populations—including poor pregnant women, the homeless, migrant workers, and HIV-infected people—the Bureau of Health Care Delivery and Assistance awards grants to public or nonprofit facilities. About 10 percent of the federal funds is spent on malpractice insurance. If recipient facilities could reduce their malpractice insurance costs, they could provide health care to more people without increasing federal grant expenditures. To help Congress consider alternative ways of providing insurance for these facilities, GAO identified elements needed to assess alternatives, which may include (1) the federal government's assuming liability under the Federal Tort Claims Act, (2) establishing a risk-retention group to self-insure the centers, and (3) purchasing commercial insurance through a nationally formed risk-purchasing group. Historical claims experience is critical to assessing the alternatives, but claims data are too limited or dated to form an adequate basis for assessment.

**Health Care:
Hospitals With Quality-of-Care Problems Need Closer Monitoring**

GAO/HRD-91-40, May 9 (35 pages).

The Health Care Financing Administration considers hospitals that are out of compliance with Medicare conditions of participation to be susceptible to providing poor quality care. These hospitals can be terminated from the Medicare program if they do not comply within a specified period. HCFA has been unable, however, to accurately determine whether hospitals accredited by the Joint Commission on Accreditation of Healthcare Organizations are complying with Medicare conditions of participation. Further, in nonaccredited hospitals, HCFA has discovered that state agency surveys are not always identifying Medicare conditions that are not being complied with. As a result, HCFA cannot be sure that quality health care is being provided to Medicare beneficiaries. Until HCFA completes development of a crosswalk that will define the relationship between Medicare conditions of participation and Joint Commission standards, full access to Commission survey data will not greatly enhance HCFA's overall ability to evaluate the Commission's effectiveness in ensuring that hospitals meet Medicare requirements.

The data can, however, be used to track the timeliness of Joint Commission efforts to ensure that corrective action is taken in hospitals that are out of compliance with Commission standards and conditionally accredited.

**Trauma Care:
Lifesaving System Threatened by Unreimbursed Costs and Other Factors**

GAO/HRD-91-57, May 17 (44 pages).

More people under age 45 die from injuries than from any other single cause. Estimates of the cost of initial hospitalization for severe injury—trauma—in 1988 were as high as \$6 billion, and the average charge per hospital admission for a trauma patient is three times higher than that for a regular acute care admission. Urban trauma care systems are threatened as many trauma centers have shut their doors to trauma patients. Trauma care is expensive, and treatment costs usually exceed patient revenues in urban centers. Centers remaining open face growing financial losses. In addition to a growing uninsured population and rising urban violence, these centers are treating a growing caseload of uninsured and Medicaid patients who would have been handled by the centers that have closed. Another pressure is trauma care's intense demand on medical services, which can disrupt regular hospital care and physicians' private practices. For example, surgeries and X-rays for nontrauma patients are often rescheduled to accommodate the trauma patients' urgent care needs.

Testimony

Private Health Insurance: Problems Caused by a Segmented Market, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-91-21, May 2 (21 pages).

GAO testified that small businesses face particular difficulties in obtaining affordable private health insurance for their employees. Small businesses, generally those with fewer than 25 employees, bear higher costs than do larger companies, and their costs are rising more rapidly. A growing percentage of small firms do not offer their employees insurance benefits; about one-third of all the uninsured—about 10 million people—work for or are dependents of people who work for small businesses. GAO discusses efforts aimed at reforms targeted toward the small group health insurance market, but says that it will be difficult to move

from the current segmented system into one that spreads risks more broadly. Also, reform initiatives do not address the problems of ever increasing health care costs, nor can they directly address the different regulatory treatment of health benefit plans resulting from the Employee Retirement Income Security Act of 1974.

Retiree Health: Company-Sponsored Plans Facing Increasing Costs and Liabilities, by Gregory J. McDonald, Associate Director for Income Security Issues, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-91-25, May 6 (15 pages).

Company group health plans have played a major role in providing active and retired workers and their dependents with access to needed medical services. Confronted by cost, accounting, and funding constraints, companies are rethinking their commitment to providing retiree health benefits. Some companies have changed their health plan provisions to shift some costs to retirees and/or cut benefits, and retirees have limited protection under current law against such actions. This testimony describes (1) the extent of plan coverage and the cost of benefits, (2) the level of companies' retiree health liabilities, (3) advance funding options, (4) the extent to which companies are modifying their plans, (5) workers' protections under current law, and (6) congressional options.

Mental Health Grants: Funding Not Distributed in Accordance With State Needs, by Linda G. Morra, Director of Human Services Policy and Management Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-91-32, May 16 (11 pages).

GAO discussed how \$1.3 billion in federal funds are being distributed under the Alcohol, Drug Abuse, and Mental Health block grant programs. Recent formula changes have improved the targeting of the block grant to states in relation to their population at risk of drug abuse. Populations at risk of mental health and alcohol problems, however, will have little influence on the distribution of block grant funding when hold harmless funding is eliminated. Within states, the current formula's allocation of funding between mental health and substance abuse is unrelated to state differences in mental health needs. Allocating mental health funds through a separate apportionment formula, as proposed in pending legislation, would significantly improve the targeting of mental health funds in accordance with state needs. It would, however, redistribute mental health funds across states; some would gain funds and other would lose them.

Promising Community Drug Abuse Prevention Programs, by Robert York, Acting Director for Program Evaluation in Human Services Areas, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-PEMD-91-7, May 17 (26 pages).

This testimony examines comprehensive community-based programs for young adolescents and the methods two federal agency use to recognize outstanding programs. Six features of promising community drug abuse prevention programs for young people, GAO believes, deserve wider trial and evaluation by others. What appears most important is not what services have been delivered, but rather how (in what context) they have been delivered. A set-aside of funds specifically for evaluation could allow programs to learn about successes without sacrificing services. Although the Department of Education and the Department of Health and Human Services have been seeking to recognize exemplary local drug abuse treatment programs, these efforts exclude many programs from consideration. More fundamentally, GAO concludes, the public cannot rely on the recognition awards as confirmation that a program works since applicants do not have to provide evidence of effectiveness.

Housing

Rental Housing: Implementing the New Federal Incentives to Deter Prepayments of HUD Mortgages

GAO/PEMD-91-2, Apr. 30 (76 pages).

In the past, owners of low- and moderate-income rental housing that was federally insured could prepay their mortgages and then raise rents, displacing the original residents. Legislation enacted in 1990 seems to reduce the likelihood that the supply of low-income housing will be reduced due to near-term prepayments. To aid in the implementation of that legislation, this report provides information on the number of units eligible for prepayments and the interest of owners in prepayment.

Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1990

GAO/RCED-91-126, May 1 (100 pages).

The McKinney Act's homeless assistance programs provide the homeless with emergency food and shelter, transitional and permanent housing, primary health care services, mental health care, alcohol and drug abuse

treatment, education, and job training. This report provides a legislative history of the Act, describes each program established pursuant to the Act, and states the amount of money provided under each program by state for fiscal year 1990. Congress appropriated about \$600 million for 18 direct assistance programs for the homeless and the Interagency Council on the Homeless. Of the 18 programs, six provided funds through a formula, or block-grant-type process, and 12 used a competitive process. The single largest funded program for 1990 was the Federal Emergency Management Agency's Emergency Food and Shelter Program, which received around \$496 million. Congress appropriated about \$655 million for 15 existing programs and five new ones for fiscal year 1991 and the Interagency Council on the Homeless.

Testimony

Counting the Homeless: Limitations of 1990 Census Results and Methodology, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs, and before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-91-29, May 9 (15 pages).

GAO testified on the Census Bureau's 1990 Shelter and Street Night Enumeration, which was designed to count people who might otherwise have been missed by the census. The census and S-Night were not designed to, and did not, provide a complete count of the nation's homeless. The Bureau consistently has warned data users that the decennial census is not the appropriate vehicle for determining the extent of homelessness. In past reports, GAO has discussed efforts that extend well beyond the census that need to be done to estimate the number of homeless. As a result of methodological and operational weaknesses, however, the Bureau added fewer people to the census count through S-Night than it probably could have if it had aggressively pursued the daytime method early in the decade. S-Night is an example of what has been one of GAO's major concerns for several years: that the late census planning and the failure to fully consider and evaluate alternatives that characterized the 1990 census must be avoided for the 2000 census.

Income Security

Social Security: Information About the Accuracy of Earnings Records

GAO/HRD-91-89FS, Apr. 19 (20 pages).

How accurate are the earnings records maintained by the Social Security Administration? Are certain workers more likely to have errors in their earnings than others? GAO reviewed available studies and found that if SSA receives and processes a wage report, the chances of it recording the report to the wrong account, or in a different amount than reported, are very small. Certain studies, however, are limited in their ability to spot errors in the earnings records. In a nationwide sample of over 1,700 people who received their first retirement check in June 1985, a 1987 study found that about 6.5 percent had errors in their earnings records, although not all of these errors affected their earnings records. While GAO found no studies directly relating to the types of workers most prone to earnings record problems, an unpublished internal study of SSA's 1978 suspense file showed that in 1978, almost 20 percent of the wage reports filed by businesses involved in agricultural production and services were not credited to valid workers' social security accounts.

**Social Security Disability:
Action Needed to Improve Use of Medical Experts at Hearings**

GAO/HRD-91-68, May 20 (20 pages).

When individuals are denied social security disability benefits, they may appeal to administrative law judges, who may seek out medical expert testimony in deciding on the validity of a claim. The Social Security Administration's Office of Hearings and Appeals relies on a fee schedule to determine payments for these medical experts, who are to be selected to testify on a rotational basis. GAO found that when purchasing medical expert testimony, the Office of Hearings and Appeals has not ensured compliance with either its rotation policy or federal procurement policy. Many hearing offices in the Chicago Region use specific medical experts repeatedly rather than rotating among a number of individuals with the same medical specialty. In addition, some hearing offices may have relied unnecessarily on one medical expert for referrals in high-demand medical specialties. Frequent use of individual medical experts occurred nationwide for this same reason. The high use of specific medical experts has resulted from (1) inadequate hearing office controls over the selection process, (2) inadequate regional office oversight of medical expert use by hearing offices, and (3) insufficient recruitment efforts. Repeated use of medical experts has led to questions about the impartiality and independence of the system, and GAO believes that the Office of Hearings and Appeals needs to strengthen its oversight and procedures.

Testimony

Social Security: Reforms in the Disability Determination and Appeals Process, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-91-24, May 2 (15 pages).

Evidence suggests that the quality of state disability decisions has declined over the last few years, while the workload for the state disability determination services (DDS) has significantly increased. The success rate for claimants who appeal to administrative law judges (ALJ) has risen in the last several years to about 63 percent, calling into question the worth of the denial decisions made by state DDSs. One difference between the two decision processes is the face-to-face appearance of the claimant: ALJs ask claimants direct questions, while DDSs review case files only. GAO believes that face-to-face meetings, on a limited basis, at the initial decision level could improve DDS determinations. GAO also testified on proposed legislation to eliminate the reconsideration level of appeal.

Information Management

**FAA Procurement:
Major Data-Processing Project Is Now Ready to Proceed**

GAO/IMTEC-91-32, Apr. 10 (21 pages).

As part of its Computer Resources Nucleus (CORN) project, the Federal Aviation Administration plans to phase out its own general-purpose data-processing system and rely instead on computers owned and operated by a contractor. In 1990 GAO reported on major unresolved problems with the project and recommended that a contract for the project not be awarded. FAA's new CORN request for proposals, however, resolves key technical and procurement concerns raised by GAO and others, and GAO believes that the project is now ready to proceed through the acquisition phase. Although one vendor has asked to be reimbursed for the cost of the proposal it submitted in response to the original solicitation, GAO found no basis for FAA reimbursement of such costs.

**Computer Technology:
Air Attack Warning System Cannot Process All Radar Track Data**

GAO/IMTEC-91-15, May 13 (29 pages).

To provide the United States and Canada with accurate and timely warnings of aircraft attacks, the Defense Department is spending almost \$3 billion to upgrade and expand radar coverage in the Atmospheric Tactical Warning and Attack Assessment System. GAO assessed (1) the capability of the computer system used to process the radar data and (2) plans to integrate upgraded and new radars into the system. The system's computers do not have enough memory for processing and storing all the data from operational and planned radars. In addition, DOD's use of the computers to support the nation's counter-narcotics efforts overburdens them and is unnecessary because it duplicates functions being handled by the U.S. Customs Service.

International Affairs

Loan Guarantees: Export Credit Guarantee Programs' Long-Run Costs Are High

GAO/NSIAD-91-180, Apr. 19 (24 pages).

GAO examined program costs of the Commodity Credit Corporation's Export Credit and Intermediate Export Credit Guarantee Programs in the Department of Agriculture. GAO estimates that long-run costs for the programs will be about \$6.7 billion, or 60 percent of the \$11.2 billion in loan guarantees and accounts receivable as of May 1990. The cost is high because the Corporation provided guarantees to high-risk countries, including Iraq. Commodity Credit Corporation regulations have not stopped financial institutions owned by foreign governments and located in the United States from receiving credit guarantees for financing sales to their owner countries. GAO identified three financial institutions that (1) were directly or indirectly owned, at least in part, by the borrowing foreign country and (2) had received GSM credit guarantees for sales to that country. The Commodity Credit Corporation plans to issue regulations that will prohibit financial institutions from receiving credit guarantees under such circumstances.

El Salvador: Military Assistance Has Helped Counter but Not Overcome the Insurgency

GAO/NSIAD-91-166, Apr. 23 (34 pages).

Since 1980 the United States has provided over \$1 billion in military aid to El Salvador to assist the government in its fight against an insur-

gency. While U.S. equipment, supplies, training, and services have enabled the Salvadoran army to continue the fight against the insurgents, the government has yet to be able to end the conflict by military means. A negotiated settlement now appears to offer the best hope of ending the stalemate; however, progress in negotiations has been limited because the two sides disagree on several key issues. Despite efforts by the United States to engender respect for human rights and democracy among the Salvadoran Armed forces, civilian war casualties and political killings continue by both the left and the right. Furthermore, the judicial system has yet to produce convictions in some human rights abuse cases.

**U.S.-Mexico Trade:
Some U.S. Wood Furniture Firms Relocated From Los Angeles Area to Mexico**

GAO/NSIAD-91-191, Apr. 24 (14 pages).

Since 1965 Mexico has tried to spur economic development and employment along its economically depressed northern border by attracting subassembly operations. GAO estimates that between one and three percent of all wood furniture manufacturers in the Los Angeles area relocated to Mexico between 1988 and 1990, in the process affecting about 1,000 to 2,500 workers. About two-thirds of these relocations involved furniture manufacturers with 100 or more employees. Over 80 percent of the firms cited high costs for workers' compensation insurance and wages as the main reason for leaving, while about 78 percent said that stringent air pollution emission control standards for paint coatings and solvents motivated them to relocate. In reviewing conditions in Tijuana, GAO discovered that wood furniture manufacturers that relocate to Mexico did not have to comply with air pollution control standards comparable to those in the Los Angeles area. Mexican officials have said that they are studying air pollution emissions from such manufacturers in order to determine acceptable levels. Because of the small number of firms in its sample, however, GAO could not reliably compare the significance of the major reasons for relocating. GAO summarized this report in testimony before Congress; see:

Few Wood Furniture Firms Moved to Mexico From the Los Angeles Area, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce. GAO/T-NSIAD-91-31, May 8 (five pages).

**Trade and Economic Data:
Many Federal Agencies Collect and Disseminate Information**

GAO/NSIAD-91-173, May 1 (17 pages).

To succeed in increasingly competitive world markets, U.S. businesses need a variety of foreign economic data, as do policymakers who develop plans and programs to help U.S. businesses in obtaining an appropriate share of foreign markets. This report looks at the federal agencies that collect and disseminate foreign economic and trade data, the ways in which executive and legislative agencies use this information, the extent of agency coordination in collecting and disseminating these data, and the methods government agencies use to disseminate data to private sector users.

**Aid to Nicaragua:
Status of U.S. Assistance to the Democratically Elected
Government**

GAO/NSIAD-91-183, May 1 (39 pages).

U.S. aid to Nicaragua has tried to (1) encourage the new Nicaraguan government to seek long-term economic recovery by reforming its economic policies, (2) help meet Nicaragua's immediate foreign exchange and commodity import needs, (3) develop projects to address long-term development needs, and (4) help repatriate and resettle refugees and former Contra members and their families. Despite streamlining the development of its early programs and projects, the Agency for International Development has disbursed only about half of the funds budgeted. Unexpected legal, political, and other problems impeded the Nicaraguan government's ability to meet some preconditions for receiving U.S. funds. Officials of the U.S. and Nicaraguan government and of the Inter-American Development Bank believe that the U.S. assistance was critical to the Nicaraguan government's survival during its first year in office. While it is too early to assess the success of U.S. programs and projects on the Nicaraguan economy, observers have been pleased at efforts by the new government to combat hyperinflation and to set the stage for a market-based economy. Some of these measures had been preconditions for receiving U.S. assistance.

**U.S.-Mexico Energy:
The U.S. Reaction to Recent Reforms in Mexico's Petrochemical
Industry**

GAO/NSIAD-91-212, May 3 (17 pages).

While Mexico's petrochemical industry has grown rapidly, it now faces shortages both in investment funds and in supplies of basic petrochemicals due to a financial crisis in the 1980s. Mexico has undertaken a series of policy reforms aimed at encouraging foreign and private investment, but these efforts have generally failed to entice U.S. investment in Mexico. U.S. petrochemical companies have cited unfavorable market conditions, insufficient basic petrochemical capacity in Mexico, concern about the reversibility of Mexican reforms, inadequate Mexican protection of intellectual property rights, and lack of investment protection for U.S. businesses as impediments to investment in Mexico. Cooperation between the two nations in overcoming these obstacles could help U.S. petrochemical companies maintain their positions in a competitive global market, while at the same time provide Mexico with much-needed capital investment and technological expertise.

**Agricultural Trade:
Cooperator Conflict of Interest Regulation Needs Strengthening**

GAO/NSIAD-91-217, May 22 (11 pages).

The U.S. Department of Agriculture's Cooperator Foreign Market Development Program seeks to create new markets and to expand and maintain existing markets for U.S. agricultural commodities. In response to concerns about potential conflicts of interests involving individual livestock exporters, GAO reviewed USDA's conflict of interest regulation for the program. In GAO's view, actions taken by the Foreign Agricultural Service to finalize its interest regulation and to provide guidance to participants on the promotional and export activities of the participants are positive steps toward limiting the potential of participants involvement in conflicts of interest. The regulation prohibits participants from (1) exporting the agricultural commodities that they promote with project funds and (2) using program activities to promote private self-interests or conduct private business. The Service needs, however, to revise the regulations to specifically provide that any firm, organization, or individual involved in approved Cooperator program activities shall not improperly use the activities to promote private self-interests or conduct private business. In addition, the regulation should also be changed to

hold all Cooperators responsible for ensuring that individual members comply with this second prohibition.

**Israel:
U.S. Military Aid Spent In-Country**

GAO/NSIAD-91-169, May 23 (13 pages).

The United States has authorized Israel to spend an increasing amount of U.S. military aid in Israel. In fiscal year 1990, Israel spent about 25 percent of its \$1.8 billion in military aid in Israel on "offshore procurements." Given increasing congressional interest in accountability for foreign aid, this report examines (1) whether the executive branch had observed the legislative requirements governing Israel's procurements and (2) what effect these procurements have had on Israel's military budget and domestic economy.

**Foreign Assistance:
AID Can Improve Its Management and Oversight of Host Country Contracts**

GAO/NSIAD-91-108, May 29 (37 pages).

GAO reviewed the Agency for International Development's policies and procedures for host country contracting at AID missions in Bangladesh, Egypt, Jordan, and Pakistan. GAO found that project officers responsible for contract oversight at missions support the use of host country contracting as a way of providing assistance. Contrary to AID guidance, missions generally did not do assessments of host country contracting, voucher review, and audit capabilities before deciding whether to use a host country contract. AID did not assess or document whether the expected benefits of host country contracting were being achieved. As a result, it had no basis for measuring whether the rationale for using host country contracting was sound. Recognizing the inherent risks associated with host country contracting, missions extensively monitored the contract award process and assumed responsibility for fund disbursement and audit. The missions did not, however, ensure that host country contracts were audited and properly closed out. Consequently, they had little assurance that contract costs were reasonable, that all contract requirements were met, or that unused funds were promptly recovered.

Testimony

The U.S. Export-Import Bank: Review of a Proposal to Finance Military Exports, 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-91-16, May 2 (10 pages).

This testimony examines the U.S. Export-Import Bank's financing of military exports and legislation proposed in March 1991 by the Eximbank to create a pilot program to finance such exports. Although Eximbank officials have said that the Eximbank has the legal authority to finance military exports to certain countries, it has chosen not to do so. The proposed legislation give Congress an opportunity to reevaluate the Eximbank's role in financing military exports. On the basis of its review of the history of the issue, past GAO reports, and information provided by the Eximbank and the Office of Management and Budget, GAO concludes the need for the proposed legislation has not been demonstrated.

The Soviet Union's Participation in the Agriculture Department's Export Credit Guarantee Programs, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-NSIAD-91-38, May 21 (10 pages).

GAO testified on the Department of Agriculture's export credit guarantee programs and participation by the Soviet Union in those programs. The U.S.-Soviet agricultural trade relationship has been the subject of increased attention due to the reported request by the Soviets for the extension of \$1.5 billion in export credit guarantees for 1991 in addition to the \$1 billion they have already received. GAO discussed (1) USDA's past and present efforts to determine the ability of individual countries to repay loan guarantees extended to them and (2) a proposed amendment to the Agricultural Trade Act of 1978 that would allow the President to provide agricultural export credit guarantees when they are in the national interest, regardless of the creditworthiness of the borrower and foreign aid/foreign policy restrictions.

U.S. Government Export Promotion Programs Could Be Improved, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Foreign Commerce and Tourism, Senate Committee on Commerce, Science and Transportation. GAO/T-NSIAD-91-39, May 23 (12 pages).

To help firms whose products are competitive in world markets to begin or expand exports, many federal agencies offer an array of programs. However, GAO testified that many of these programs have not worked as well as they could have because of funding anomalies, a lack of focus, and a failure to supply high-quality information. The government needs to reassess its approach to serving the U.S. export community. It must strategically examine how these programs can be reconstructed on a governmentwide basis to better serve the needs of the business community. The Trade Promotion Coordinating Committee is a good start, but its long-term effectiveness has yet to be demonstrated.

Justice and Law Enforcement

The War on Drugs: Arrests Burdening Local Criminal Justice Systems

GAO/GGD-91-40, Apr. 3 (66 pages).

GAO reviewed efforts to combat drug crime in the following eight cities: Los Angeles and Madera, California; Atlanta and Waynesboro, Georgia; Boston and North Adams, Massachusetts; and Detroit and Adrian, Michigan. Criminal justice officials in these cities expressed concern about a significant rise in drug and drug-related crimes during the 1980s. While most of these cities beefed up their law enforcement efforts during the past decade, the resulting increase in arrests has further strained courts, jails, probation and parole officers, and drug treatment centers. To cope with the situation, the cities have increasingly turned to plea-bargaining, parole, and probation; early release programs to ease prison overcrowding; downgrading of certain offenses to misdemeanors or prosecuting for lesser charges; building of new jails and prisons; and alternatives to imprisonment. While the effect of these efforts is still unclear, GAO believes that increasing arrests without also increasing the capacity of the criminal justice system to handle the growing work load is ineffective and inefficient. GAO concludes that the federal, state, and local responses to the drug problem must reflect a balanced and integrated approach that addresses all aspects of the criminal justice system.

Drug Control: Implementation of the Chemical Diversion and Trafficking Act of 1988

GAO/GGD-91-56BR, Apr. 3 (24 pages).

This briefing report provides information on the Drug Enforcement Administration's implementation of the Chemical Diversion and Trafficking Act of 1988. GAO discusses the following roles DEA has assumed under the act: (1) identifying chemical companies subject to the act, (2) establishing threshold quantities that trigger the Act's record-keeping and reporting requirements, (3) identifying transactions for investigation, and (4) addressing the need for international controls over chemicals used in making illegal drugs.

**Mentally Ill Inmates:
Better Data Would Help Determine Protection and Advocacy Needs**

GAO/GGD-91-35, Apr. 17 (17 pages).

According to Bureau of Justice Statistics, over one million people were housed in U.S. prisons and jails during 1989. While it is unknown how many of these inmates were mentally ill, studies estimate that between six and 14 percent of the correctional population may have major psychiatric disorders. The Protection and Advocacy for the Mentally Ill Individuals Act of 1986 was designed to help states establish and run protection and advocacy systems to protect and uphold patients' rights and investigate incidents of abuse and neglect. This report looks at (1) the extent to which mentally ill individuals in correctional facilities are subject to abuse and neglect and (2) whether all mentally ill individuals in correctional facilities are covered by the Act.

**Indian Programs:
Lack of Internal Control at Two Special Law Enforcement Units**

GAO/RCED-91-111, May 15 (23 pages).

GAO reviewed the operations of two Law Enforcement Services units at the Bureau of Indian Affairs: the Marijuana Eradication and Reconnaissance Team in Klamath Falls, Oregon, and the Special Investigation Unit in Albuquerque, New Mexico. The Bureau did not comply with federal requirements on controls over appropriated funds and did not follow a number of procedures for managing confidential funds, overtime pay, the issuance of travel advances, and the control of sensitive equipment. GAO concludes that the two Law Enforcement Services units are vulnerable to waste, fraud, and abuse and that internal controls over these units should be strengthened. GAO is concerned that other Bureau law enforcement activities could be vulnerable to similar problems.

**Money Laundering:
The U.S. Government Is Responding to the Problem**

GAO/NSIAD-91-130, May 16 (64 pages).

Laundering illegal proceeds or “dirty money” into usable, seemingly legitimate assets is essential for many criminal enterprises, especially the illegal drug trade, which has estimated U.S. sales of over \$100 billion annually. Progress appears to have been made in federal efforts to fight drug laundering, although “hard” data to prove this conclusively is lacking. Important legislation has been enacted, resources allocated to the effort have been increased, reporting of currency transactions has increased, and international negotiations are leading to significant agreements. Some problems remain, especially with regard to the resources devoted to the fight against money laundering. Actions have been taken to resolve these remaining problems; in particular, efforts have increased to coordinate the federal approach.

**Asset Forfeiture:
Need for Stronger Marshals Service Oversight of Commercial Real Property**

GAO/GGD-91-82, May 31 (26 pages).

This is one in a series of GAO reports on asset forfeiture programs run by the Department of Justice and by the U.S. Customs Service. These programs, which deal with hundreds of millions of dollars in seized property each year, have been designated by GAO as high-risk areas warranting special audit effort because of their vulnerability to fraud, waste, and mismanagement. This report addresses key U.S. Marshals Service property management activities and Marshals Service district compliance with policies and procedures in managing high-value commercial real properties—those valued at \$1 million or more at the time of seizure. Internal control problems have resulted in a fragmented program that may not adequately ensure that seized high-value commercial properties are being managed in the best interest of the government. Because basic responsibilities, like ensuring that a property is seized from the correct party or overseeing the managers of federally seized properties, have not always been carried out, the government has risked losing or has actually lost money on properties worth millions of dollars. While the Marshals Service has made progress on some of these issues, more needs to be done. Resolution of current problems becomes more

urgent as the seized asset inventory grows and includes more properties that are valuable and complicated to managed.

Testimony

Noncriminal Juveniles: Detentions Have Been Reduced but Better Monitoring Is Needed, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Juvenile Justice, Senate Committee on the Judiciary. GAO/T-GGD-91-30, May 22 (eight pages).

Juvenile status offenders are youths under age 18 who are charged with offenses like curfew violation, truancy, alcohol possession, and running away. To keep detained status offenders from being held in secure detention facilities, the Juvenile Justice and Delinquency Prevention Act of 1974 tied states' eligibility for grants to a requirement that status offenders be deinstitutionalized. States have generally reported significant progress in meeting the goals of the act; aggregated data from 50 participating jurisdictions showed an almost 50-percent drop in detentions of status offenders since joining the program. Nonetheless, GAO believes that the Department of Justice could be more systematic in monitoring state compliance with the act.

National Defense, Security, and Military Procurement

Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments

GAO/NSIAD-91-224, May 15 (137 pages).

GAO believes that a reduced military forces structure requires the closure and the realignment of military installations. When properly implemented, the process used by DOD allows for a reduction in the U.S. military base structure by stressing the military value of the installations. While the Army and the Air Force could adequately support their recommendations for base closures and realignments, the Navy did not document the rationale for its decisions. As a result, GAO relied on an alternative method—ship berthing capacity—to analyze the Navy's proposals and discovered that the Navy will have excess berthing capacity if only the recommended facilities are closed. Changes in the strategic homeporting concept, coupled with the excess available pier space for berthing ships, supports the recommendation for fewer Navy bases. GAO is also concerned that DOD's guidance allowed estimating processes and cost factors used by the services to vary. GAO analyzed the sensitivity of years to recover closing costs (the projected payback period) for each

closure or realignment to 50-percent and 100-percent increases in one-time costs. This analysis showed that the payback period for many of the recommendations did not substantially increase. GAO summarized this report in testimony before Congress; see:

Observations on the Analyses Supporting Proposed Closures and Realignments, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Defense Base Closure and Realignment Commission. GAO/T-NSIAD-91-36, May 17 (10 pages).

**Military Bases:
Letters and Requests Received on Proposed Closures and
Realignments**

GAO/NSIAD-91-224S, May 17 (85 pages).

Many interested parties, including Members of Congress, local government officials, and private citizens, wrote GAO about the base closure issue. In some instances, the letters and materials provided GAO with useful leads. In other cases, the materials added support to issues GAO was actively pursuing. Because GAO believes that the correspondence and materials may be helpful to the Defense Base Closure and Realignment Commission, this supplement contains copies of the letters and some of the materials received.

**Contract Pricing:
Competitive Subcontract Price Estimates Often Overstated**

GAO/NSIAD-91-149, Mar. 20 (10 pages).

This is one in a series of GAO reports on the adequacy of controls for preventing fraud, waste, and mismanagement in DOD subcontracts. This report discusses subcontract costs negotiated in four DOD contracts awarded to the Marine Division of Westinghouse Electric Corporation. GAO found that the four contracts were overpriced by about \$8.9 million because the estimates Westinghouse had proposed for 66 subcontracts were neither accurate nor reliable. Contracting officers, unaware of the contractors' practice of soliciting and obtaining lower prices in awarding the subcontracts, accepted the estimates included in the contractors' proposals. As a result, prime contracts are excessively priced by millions of dollars. GAO concludes that the remedy for this situation is knowledge—knowledge of what the prime contractor actually pays, not what

is quoted. GAO summarized this report, along with related reports summarized below (see GAO/NSIAD-91-148FS, Mar. 21; GAO/NSIAD-91-157, Mar. 28; and GAO/NSIAD-91-161, Apr. 5) in testimony before Congress; see:

Inadequate Controls Over DOD Subcontracts Cost Government Millions of Dollars, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Senate Committee on Governmental Affairs. GAO/T-NSIAD-91-37, May 22 (11 pages).

**Contract Pricing:
Subcontractor Defective Pricing Audits**

GAO/NSIAD-91-148FS, Mar. 21 (10 pages).

This is one in a series of GAO reports on the adequacy of controls for preventing fraud, waste, and mismanagement in DOD subcontracts. This fact sheet looks at defective pricing audits done by the Defense Contract Audit Agency and assesses whether subcontractors complied with a key safeguard intended to ensure fair and reasonable prices on noncompetitive procurements—the Truth in Negotiations Act. GAO found that defective pricing in subcontracts was widespread and had caused contract prices to be significantly overstated. In fiscal years 1987-90, the Defense Contract Audit Agency discovered defective pricing in 43 percent of the subcontracts audited. Defective pricing totaled more than \$800 million—an average of about \$1 million for each overpriced subcontract. Defective pricing in contracts occurred slightly more often than did defective pricing in prime contracts and at a higher dollar amount per contract; was greater at subcontract locations where the Defense Contract Audit Agency had no permanent on-site office; and was found in subcontracts of all amounts. But the percentage of defective pricing was higher in contracts for smaller amounts.

**Contract Pricing:
Defense Subcontract Cost-Estimating Problems Are Chronic and Widespread**

GAO/NSIAD-91-157, Mar. 28 (17 pages).

This is one in a series of GAO reports on the adequacy of controls for preventing fraud, waste, and mismanagement in DOD subcontracts. In

March 1988, DOD revised its regulations to ensure that contractor proposals contained all the information needed to establish fair and reasonable contract prices. Despite this revision, serious estimating deficiencies persist. Of the 101 contractors that the Defense Contract Audit Agency reviewed, 83 had subcontract estimating deficiencies. Forty-two contractors had deficiencies serious enough for the Agency to consider their systems unacceptable for producing proposals that would provide reliable bases for negotiating fair and reasonable prices. In fiscal year 1989, these 42 contractors received an estimated \$11.3 billion in DOD sales. Many contractors had not corrected estimating deficiencies in a timely manner. While DOD administrative contracting officers can sanction contractors that do not correct estimating deficiencies, these sanctions are rarely applied. This report describes a GAO case study on one of the many subcontracts associated with parts for the Trident II missile launcher.

**Contract Pricing:
Opportunities to Reduce Dual-Source Contract Prices**

GAO/NSIAD-91-159, Mar. 28 (eight pages).

Dual-source contracting anticipates that a government requirement will be split between two contractors, with the larger share usually going to the offeror submitting the lowest price. In this second of two reports examining whether contracting officers had sound bases for negotiating fair and reasonable prices in dual-source contracts (see GAO/NSIAD-91-181, Sept. 26, 1989), GAO discusses its review of six DOD dual-source contracts. In response to GAO's earlier work, DOD has provided its contracting officers with additional guidance for negotiating dual-source contract prices. This guidance is also discussed in this report.

**Contract Pricing:
Inadequate Subcontract Evaluations Often Lead to Higher Government Costs**

GAO/NSIAD-91-161, Apr. 5 (10 pages).

This is one in a series of GAO reports on the adequacy of controls for preventing fraud, waste, and mismanagement in DOD subcontracts. Despite DOD efforts to strengthen its regulation on cost-estimating systems and to increase emphasis on subcontract pricing, DOD contract

prices continue to be overstated because of inflated contractor estimates. GAO's review of 68 subcontract estimates totaling about \$162 million showed that DOD had paid about \$11.7 million more to three prime contractors than the contractors negotiated with their subcontractors. The excess contract prices resulted primarily because prime contractors did not evaluate noncompetitive subcontractor proposals before contract negotiations, though required by the Federal Acquisition Regulation. In assessing the contractors' estimating systems, the Defense Contract Audit Agency had previously cited two of the three contractors for failing to make timely evaluations of subcontract cost estimates. Effective actions had not been taken, however, to correct the identified system deficiencies. In addition, contracting officers responsible for awarding the contracts did not use appropriate contract clauses to protect against inflated subcontract estimates.

**Army Training:
Various Factors Create Uncertainty About Need for More Land**

GAO/NSIAD-91-103, Apr. 22 (83 pages).

The Army believes that more land is needed at several installations throughout the United States. This report addresses several broad questions related to the land acquisition issue: (1) What deficiencies exist in maneuver training, and to what extent are they caused by land shortfalls? (2) How have land shortages affected training and readiness? (3) How will the Army's future training plans, including the increased use of computer simulations, affect land needs? (4) Can the Army develop a standard for training land requirements? (5) Can combat training centers compensate for limited compensation land? Many factors can affect training requirements, limitations, and land use. These factors create uncertainty about the extent to which more home-station training areas in the United States are needed; would be used if acquired; would enhance training proficiency and readiness; and would correct common, recurring training deficiencies. A comprehensive training strategy is needed to provided a basis for land need decisions.

**Defense Personnel:
Status of Flag Officers, Selectees, and Billets**

GAO/NSIAD-91-203, Apr. 29 (four pages).

This report discusses the number of (1) flag officers and flag officer selectees on duty as of February 1, 1991, and (2) flag officer billets that

the Navy manages. GAO found that 259 paid Navy flag officers were on active duty as of that date. One, however, was not charged against the Navy's end strength limitation. In addition, 73 other officers had been chosen for and were awaiting promotion to flag rank. The number of flag officer billets reported as of February 1, 1991, was 404. The Navy manages all billets that are designated as flag officer billets regardless of the pay grades of the officers filling them or whether they are vacant.

**Military Training Options:
Feasibility of Using Civilian Institutions**

GAO/PEMD-91-17, May 1 (six pages).

GAO is required to submit a report to Congress on the practicality and desirability of using civilian educational institutions to provide technical training to military personnel. Since DOD had already contracted with the RAND corporation to look at this same issue, GAO reviewed the RAND report as well as a 1990 Air Force report in order to avoid unnecessary duplication of effort. GAO concludes that enough evidence exists about the feasibility and potential savings of civilian contract training to justify further exploration of controlled experiments in all services.

**Reserve Officer's Training Corps:
Less Need for Officers Provides Opportunity for Significant Savings**

GAO/NSIAD-91-102, May 6 (58 pages).

The Reserve Officers' Training Corps is the largest source of commissioned officers for the Air Force, the Army, and the Navy. Due to rapid, unforeseen reductions in the number of officers authorized in recent years, however, the Air Force and Army ROTC have produced over 9,000 more graduates than needed since 1987. The Navy, which has the smallest ROTC program, has so far been able to avoid a glut of officers. To deal with the excess and to reduce the number of ROTC students already enrolled in the program, both the Air Force and the Army have resorted to costly measures like releasing graduates from their military service obligation and delaying graduates' entry into active duty. Although both the Air Force and the Army foresee a decreasing need for ROTC graduates in the future, neither has developed a comprehensive plan to respond to this situation. All three services have maintained unproductive ROTC units that meet congressional criteria for closure; only the Navy, however, plans to reduce the number of ROTC units to

fully correspond with its reduced need for new officers. Moreover, because DOD has not adopted a standard cost-reporting system for ROTC and the independently developed service systems have excluded some program costs, ROTC cost reporting by DOD is incomplete and inconsistent.

**Nuclear Weapons:
A Model for Evaluating the Tritium Reservoir Exchange**

GAO/NSIAD-91-86, May 6 (36 pages).

As GAO gathered and analyzed data for its June 1990 classified report on the management of tritium supplies, it developed the computer-based Tritium Impact Model to support data comparison, analysis, and display. In response to the Defense Nuclear Agency's interest in the computer model, this report (1) details the assumptions GAO made about the support pipeline for the process, its efficiencies, and how GAO measured the impact of differing efficiencies; (2) describes how a user would exercise the computer model; (3) describes how GAO integrated various source data to prepare its database and presents listings of the items contained in the databases used by the model; and (4) presents the operational FORTRAN IV sources code used to implement the model on both a microcomputer and DEC Micro VAX 3500 minicomputer.

**Test and Evaluation:
Description of Projects in DOD's Central Test and Evaluation Investment Program**

GAO/NSIAD-91-111S, May 7 (75 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 supplement to an earlier GAO report (see GAO/NSIAD-91-111, Apr. 30) provides more detailed descriptions of the test and evaluation projects.

**Strategic Bombers:
Updated Status of the B-1B Recovery Program**

GAO/NSIAD-91-189, May 9 (six pages).

GAO is actively monitoring and issuing periodic reports on the progress being made to correct problems with the B-1B bomber's defensive avionics system. Laboratory and flight testing of changes to the defensive avionics systems have been completed, and the test results and preliminary analysis of flight data indicate that the defensive system will meet the current contract specifications with a few exceptions that the Air Force considers insignificant. In March 1991, the Air Force halted the production segment of the CORE portion of the B-1B Recovery Program due to a lack of funds. This could adversely affect maintenance requirements and planned improvements to the defensive system's receive and jam capabilities. Also, some aircraft will have no defensive avionics equipment. Congress has not funded the other two portions of the Recovery Program—the addition of a radar warning receive and a new antenna. The Air Force's fiscal year 1992 budget request includes \$16.4 million for these two additions.

**Defense Inventory:
Shortcomings in Requirements Determination Processes**

GAO/NSIAD-91-176, May 10 (68 pages).

Over the past six years, GAO and audit agencies at DOD have issued almost 100 reports detailing problems in the requirements determination process. This report summarizes deficiencies in DOD's inventory requirements determination process for secondary items, which span everything from aircraft and ship components to food, clothing, and fuel. These deficiencies include inaccurate or unsupported data in the system that cause misstated inventory requirements, management overrides of computational models, inadequate consideration of an item's essentiality when ordering spare parts, item managers' failure to cancel unnecessary or excess on-order material, and ineffective management controls. While DOD and the services generally agree with the findings and recommendations in past reports, many deficiencies identified years ago persist. DOD has started an Inventory Reduction Plan that it believes will address many of these problems. While DOD reports initial good results, it needs to guard against the familiar problem of good plans being undermined when they are implemented.

**Chemical Weapons:
Physical Security for the U.S. Chemical Stockpile**

GAO/NSIAD-91-200, May 15 (eight pages).

How adequately does DOD guard its chemical weapons facilities against attacks and against diversions and thefts? GAO looked at nine chemical storage sites and found that they generally complied with the Army's physical security standards. In some instances, however, GAO questions whether security guards at these sites can respond well during emergencies because (1) their physical fitness has not been tested against specific agility standards; (2) they are working excessive overtime; and (3) the guards' motor vehicles at some sites have had maintenance and operational problems. Also, prescreening has not always been adequately done for personnel transferring to one of the chemical storage sites. Although the sites are potentially vulnerable to aerial and ground attacks, no incidents of sabotage or other diversion attempts have occurred at the storage sites during the last five years. Nevertheless, the Army cannot be certain that physical security is adequate because only a limited number of site vulnerability assessments have been done, definitive guidance for the assessments is lacking, and no provision exists for considering the impact of the assessment results on the minimum standards.

**Air Force Depot Maintenance:
More Efforts Are Needed to Improve Safety and Training**

GAO/NSIAD-91-89, May 23 (51 pages).

Similar maintenance accidents occurred at three Air Force Air Logistics Centers within a 13-month period, including a July 1989 fire in San Antonio that killed one maintenance worker, injured 11 others, and destroyed a B-52 aircraft undergoing repair. Air Force and Health Administration officials investigating the accidents concluded that they resulted from maintenance workers failing to remove vent plugs (used in testing for fuel leaks) before fueling the aircraft. Other contributing factors included inadequately trained and uncertified workers, poor supervision, violated procedures, and safety hazards. Some of these factors had been cited during earlier internal inspections and program reviews, but corrective actions had not been taken. Since the San Antonio accident, the Air Force Logistics Command has begun to correct the problems that contributed to the three accidents as well as improve maintenance training and certification programs. Although these are steps in the right direction, recent reviews by GAO and the Air Force found that untrained and uncertified workers continue to do critical maintenance tasks and that maintenance procedures continue to be violated. GAO believes that current oversight by Command officials will not ensure effective and efficient implementation of corrective actions.

**Army Acquisition:
Air Defense Antitank System's Development Goals Not Yet
Achieved**

GAO/NSIAD-91-222, May 23 (26 pages).

Because the Army's Air Defense Antitank System had failed to perform well enough during operational testing to begin production in fiscal year 1991, as planned, DOD approved a two-year extension for development. Planned tests have been delayed, however, because the contractor has been unable to demonstrate a high enough reliability to statistically ensure that the system would meet its first interim criteria. Consequently, fiscal year 1992 funding for the system may be provided before the Army completes its reliability tests. GAO concludes that the program still carries high risks for several reasons. First, the criteria established for the test are such that even if they are met, further development and testing will be needed after the system goes into production. Second, it is unclear whether the planned tests will provide information on a number of important performance characteristics. Third, the basis on which the Army justified the cost-effectiveness of the system may have been overly optimistic.

**Chemical Warfare:
Soldiers Inadequately Equipped and Trained to Conduct Chemical
Operations**

GAO/NSIAD-91-197, May 29 (43 pages).

This unclassified version of a classified report discusses the Army's Chemical Defense Program. The Army active and reserve units visited by GAO, varying in size from an artillery battery to an infantry battalion, had not been inadequately equipped to function during a chemical attack. This report reflects the Army's training policy and practices and the equipment status of units before Operation Desert Shield began. According to Army officials, (1) the units sent to the Middle East received increased training in how to survive and operate during chemical attacks; (2) the deployed forces did not lack in chemical protective clothing; and (3) enough chemical protection, detection, and decontamination equipment was available to meet both individual and unit requirements.

Testimony

Cost of Operations Desert Shield and Desert Storm and Allied Contributions, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the House Committee on Budget. GAO/T-NSIAD-91-34, May 15 (11 pages).

This testimony discusses the costs of Operations Desert Shield and Desert Storm and allied contributions to help defray this cost. While the cost estimate by DOD and by the Office of Management and Budget through May 1991 is, for the most part, reasonable, GAO believes that the estimate of future costs is unsupported and appears high. More importantly, GAO believes that incremental funding requirements will be substantially less than OMB's cost estimate and that fiscal year 1991 incremental funding needs can be fully financed through allied contributions to the Defense Cooperation Account.

DOD's Management of Beneficiaries' Mental Health Care, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Service. GAO/T-HRD-91-30, May 15 (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.

Strategic Defense Initiative Program: A Look at Lessons Learned During SDIO's First Seven Years, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-91-33, May 16 (15 pages).

This testimony, which summarizes the major programmatic and technological lessons learned from the Strategic Defense Initiative during the

past seven years, discusses past uses of SDI funds, persistent optimism in planning and starting projects, evolution of SDI architecture, and accuracy of cost estimates. Before the Strategic Defense Initiative Organization begins implementing its 15-year investment plan through the year 2005, a move that will require significant increases in annual appropriations, the administration and Congress must agree that this is the appropriate investment plan for acquiring needed ballistic missile defense capabilities. GAO concludes that now is the best time to revise the plan, before any major cost outlays are made.

Implications of SDIO's Changing Ballistic Missile Defense Architecture, by Samuel W. Bowlin, Director of Defense and Security Information Systems, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-IMTEC-91-13, May 16 (seven pages).

In July 1990, GAO reported that the Strategic Defense Initiative Organization (SDIO) would be unable to give the President enough information to support a 1993 decision to deploy the first phase of the Strategic Defense System. The 1993 decision has been postponed, and SDIO now has the opportunity to stabilize the new design and to develop a comprehensive system-level test and evaluation process. GAO testified that SDIO must not be allowed to once again subordinate an informed decision to a time-driven schedule. Instead, a sound, stable Strategic Defense Initiative architecture—supported by comprehensive system tests—must dictate the timing of decisions that have national and international implications and involve billions of taxpayer dollars.

Natural Resources

Public Land Management: Attention to Wildlife Is Limited

GAO/RCED-91-64, Mar. 7 (52 pages).

For a number of wildlife species, federal lands provide virtually the only habitat for their survival. These animals must increasingly contend, however, with demands for land uses other than conservation, including mining, grazing, and logging. Existing legislation setting forth the multiple-use and sustained-yield principles for managing the public lands does not spell out the level of consideration that land management agencies are to give to wildlife enhancement and protection. In this context, agencies have chosen to devote a small share of their budgets and to assign low land use priority to wildlife needs, although signs exist that

the agencies plan to give more attention to wildlife management in the future. If Congress disagrees with the resources and priorities provided for wildlife management, it may want to spell out its expectations more explicitly in legislation.

**Wildlife Protection:
Enforcement of Federal Laws Could Be Strengthened**

GAO/RCED-91-44, Apr. 26 (48 pages).

Federal statutes together with international treaties generally provide the Fish and Wildlife Service with adequate authority to protect wildlife. The Migratory Bird Treaty Act, however, does not confer warrantless search and seizure authority similar to other laws protecting wildlife, and concern exists that as hunters become more aware of this limitation, they will be less likely to consent to searches. While the Service investigates thousands of suspected violations each year and maintains a conviction rate averaging over 90 percent for cases prepared for prosecution, the agency cannot investigate many more suspected violations because of a shortage of agents. Increasingly, the Service has been unable to respond to many state requests to investigate suspected crimes, which has strained relationships between the Service and several states.

**Forest Service:
The Flathead National Forest Cannot Meet Its Timber Goal**

GAO/RCED-91-124, May 10 (25 pages).

The Flathead National Forest in northwestern Montana is a major source of logs for the local timber industry. Over the last five years, the Forest Service fell short of its goal of timber offered from the Flathead by about 35 percent. The Forest Service set the goal at about the same level of harvesting as had taken place over the previous decade. The goal was unachievable because the Forest Service did not fully identify environmental effects when it established the goal. Also, after the goal was adopted, stricter interpretations of environmental standards were imposed, which many previously planned sales could not meet. Studies indicate that local timber industry production and employment have not yet been significantly affected by the Flathead sales shortfall. However, while recent mill closures have generally been due to market factors, experts predict more industry cutbacks will occur because the Forest

Service will be unable to meet Flathead timber sale goals for the next few years.

**Indian Issues:
Compensation Claims Analyses Overstate Economic Losses**

GAO/RCED-91-77, May 21 (50 pages).

In 1940s and 1950s, the government acquired over 152,000 acres from Fort Berthold Reservation in North Dakota and almost 56,000 acres from Standing Rock Reservation in South Dakota in order to build a flood control project. Analyses done by consultants for the affected Indian tribes concluded that the financial compensation provided by Congress was inadequate and that the tribes should receive between \$359.6 million and \$754.7 million in additional compensation. GAO concludes that these analyses overstate the economic losses sustained by the tribes because they relied on overly optimistic assumptions about the tribes' economic situation before the loss of the land. If Congress wishes to provide additional compensation, an alternative approach might be used. In establishing a basis for determining additional compensation, Congress might start with the difference between the amount of compensation the tribes believed was warranted at the time the land was taken and the compensation actually appropriated by Congress. Appropriate adjustments could be made to reflect current values.

**Mineral Revenues:
Interior Used Reasonable Approach to Assess Effect of 1988
Regulations**

GAO/RCED-91-153, May 30 (17 pages).

GAO examined the effect that the Department of the Interior's March 1988 oil and gas product valuation regulations have had on royalties from Indian and federal onshore and offshore leases. During the development of the regulatory changes, the states and Indian tribes voiced concern that their share of royalties would drop because of the proposed revisions. The Minerals Management Service, however, believed that the regulations would be revenue neutral, with royalties staying about the same. Service reports show that from March 1988 to February 1990, overall royalties, after adjusting for volume and price difference, have neither consistently increased nor decreased. GAO concludes that the methodology used by the Service to analyze the effect of the revised

revisions on royalties was reasonable and accounts for the two measurable factors—volume and price—that could be expected to affect royalties.

Science, Space, and Technology

Federal Research: SEMATECH's Efforts to Develop and Transfer Manufacturing Technology

GAO/RCED-91-139FS, May 10 (16 pages).

SEMATECH is a government-industry research consortium formed in 1987 to further semiconductor manufacturing technology and to enable the U.S. semiconductor industry to regain world manufacturing leadership. Past GAO reports have looked at SEMATECH's start-up activities and its efforts to strengthen equipment and materials suppliers. This fact sheet discusses SEMATECH's (1) progress in achieving its technological objectives and (2) efforts to transfer the resulting technology to its 14 member companies.

Diffusing Innovations: Implementing the Technology Transfer Act of 1986

GAO/PEMD-91-23, May 29 (112 pages).

Technology transfer refers to the government's development of products and processes that have had commercial applications. Past examples of successful technology transfer have included computer advances arising from Defense Department research and NASA's creation of freeze-dried foods. GAO assessed the extent to which federal departments and laboratories have implemented provisions of federal legislation and of a related Executive Order addressing technology transfer. These provisions called for the establishment of programs that would provide federal laboratory scientists, engineers, and technical staff with incentives to engage in technology transfer, such as royalty sharing. GAO surveyed 297 laboratories in 10 federal departments and found that the level of implementation of the technology transfer legislation has been uneven. Nearly one-third of the laboratories have not received implementing instructions from their parent departments, and slightly over one-half of the laboratory directors have not been delegated authority to enter into cooperative research and development agreements with universities and the private sector. Overall, while more federal laboratories and their personnel are working on technology transfer activities and are being

rewarded for their efforts, a concerted commitment to both the substance and the spirit of technology transfer legislation by the parent departments of federal laboratories is needed for full implementation. GAO summarized this report in testimony before Congress; see:

Diffusing Innovations: Implementing the Technology Transfer Act of 1986, by Kwai-Cheung Chan, Director of Program Evaluation in the Physical Systems Area, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-PEMD-91-5, May 30 (20 pages).

Testimony

Questions Remain on the Costs, Uses, and Risks of the Redesigned Space Station, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-NSIAD-91-26, May 1 (21 pages).

NASA has redesigned the space station to be smaller, to be assembled and tested on the ground, and to be placed in orbit in segments. GAO believes that NASA's \$30 billion estimate for the project is inappropriate because it does not include all costs. According to GAO, a more accurate estimate would be about \$118 billion, which includes about \$40 billion to achieve permanent occupancy and about \$78 billion to keep the station operational between 2000 and 2027. GAO also believes that NASA is not maintaining adequate financial reserves for unanticipated costs and difficulties associated with the space station. GAO also questions the benefits of the space station, given that only one of the eight potential uses of the space station remain in the current plan and that technical challenges, such as the reliability of the shuttle as the sole means of launching and servicing the station, remain.

Federal Research: Concerns About Developing and Producing Magnets for the Superconducting Super Collider, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-91-51, May 9 (11 pages).

Of the uncertainties and risks associated with the construction of the superconducting super collider, the major technical risk concerns the collider dipole magnets. Although Germany has demonstrated that superconducting magnets can be industrially produced, their magnets were made for a substantially smaller accelerator and involved different

management approaches. Whether the superconducting super collider's magnets will work as intended is uncertain because no full-size magnet of the current design has been built and tested. Although the Department of Energy has tried to reduce the risk by, among other things, delaying the start of magnet production, uncertainties and risks remain. The schedule for developing the magnets is still compressed and the overall risks for the magnets are high because little time will be available to resolve any problems that may be encountered. A critical test in determining whether the magnets will work as intended is the above-ground string test scheduled for the fourth quarter of fiscal year 1992. Tunnel construction is also scheduled to start in the fourth quarter of that fiscal year. In April 1991, GAO suggested that Congress could limit the government's financial risk by not funding tunnel construction until the string tests have shown that the magnets work as intended.

Social Services

Elder Abuse: Effectiveness of Reporting Laws and Other Factors

GAO/HRD-91-74, Apr. 24 (22 pages).

The term "elder abuse" refers to the abuse, the neglect, or the exploitation of people aged 60 or older. It may include physical, psychological, and sexual abuse; material or financial exploitation; and neglect or self-neglect. To help identify victims, nearly every state has passed laws on the reporting of elder abuse. Mandatory reporting laws require all people or groups of professionals, like doctors and social workers, to report cases to authorities. In contrast, people are not required to report incidences of elder abuse under voluntary reporting laws. GAO concludes that the debate over mandatory versus voluntary reporting laws will yield uncertain answers on the relative effectiveness of these laws in identifying, preventing, and treating elder abuse. State officials agree that other factors, including public awareness campaigns, interagency coordination, and in-home services and respite care, are more important than reporting laws. This suggests that improvement in elder abuse programs is more likely to result from attention to these other factors, rather than from requiring a particular kind of reporting law. GAO summarized this report in testimony before Congress; see:

Effectiveness of Reporting Laws and Other Factors in Identifying, Preventing, and Treating Elder Abuse, by Gregory J. McDonald, Associate Director for Income Security Issues, before the Subcommittee on Human Services, House Select Committee on Aging. GAO/T-HRD-91-27, May 15 (11 pages).

**Child Abuse Prevention:
Status of the Challenge Grant Program**

GAO/HRD-91-95, May 9 (25 pages).

About 2.4 million cases of child abuse cases were reported in 1989, up more than 200 percent since 1977. Child Abuse Prevention Challenge Grants are part of a federal effort to help states reduce this disturbing increase in cases of child abuse and neglect. In 1989 about 70 percent of challenge grant funds were spent on community prevention activities like educational programs on parenting and child care. The rest was spent on prevention activities, like media campaigns and technical assistance to communities, and education for the public and professionals. Most states have established trust funds or used other funding mechanisms to apply for federal matching funds under the Challenge Grant Program. These funds remain small, however, and less than half contain an endowment. Moreover, trust fund revenues and other sources of funds are vulnerable to legislative reductions during state fiscal crises. Because many states rely on mechanisms other than trust funds to apply for challenge grants, the Department of Health and Human Services, which administers the program, spends considerable time reviewing applications to ensure that they are dedicated to child abuse prevention. Statutory broadness and the lack of expert consensus on which prevention methods work, however, make this a difficult task. GAO believes that the time incurred processing the applications is not commensurate with the size of the awards. This raises questions about the efficiency of using the grant process for making these funds available. Other ways of funding the program would streamline program administration.

Testimony

Implementation of the Child Abuse Prevention and Treatment Act of 1988 by the National Center on Child Abuse and Neglect, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-HRD-91-29, May 9 (16 pages).

The National Center on Child Abuse and Neglect was established in 1974 to lead the federal effort to combat child abuse and neglect. While the Center has addressed the requirements of the Child Abuse Treatment Act of 1988 to varying degrees, staff shortages continue to keep it from fully carrying out its mission and the requirements mandated by the legislation. In GAO's view, the Center's leadership role is subject to question if staff and resource shortages continue. Furthermore, GAO has long been concerned about the ability of the Department of Health and Human Services to adequately manage its grant workload and is concerned that the Center may repeat past administrative failures noted by GAO over the past decade. Plans are under way for organizing the recently created Administration for Children and Families. GAO concludes that unless Center issues and programs are given priority attention within the new division, Congress may want to reduce its expectations for the Center or achieve the goals of the Child Abuse Treatment Act of 1988 by other means.

Tax Policy and Administration

Tax Administration: Expanded Reporting on Seller-Financed Mortgages Can Spur Tax Compliance

GAO/GGD-91-38, Mar. 29 (20 pages).

As much as \$200 million in 1989 federal taxes may not have been paid because of noncompliance in reporting seller-financed mortgage interest income and deductions. If legislation was passed to require buyers to report sellers' social security numbers, GAO believes, on the basis of IRS studies on the impact of information reporting, that most of this tax revenue would have been paid due to increased voluntary compliance. To pursue any remaining unpaid taxes, IRS could use the social security number as part of an enforcement program to identify sellers who fail to report seller-financed mortgage interest as well as buyers who understate seller-financed mortgage deductions.

Tax Policy: Refund Offset Program Benefits Appear to Exceed Costs

GAO/GGD-91-64, May 14 (47 pages).

IRS offsets federal tax refunds due taxpayers who have certain nontax delinquent debts. IRS offset about \$4 billion in taxpayer refunds during

calendar years 1982-90 for the nonpayment of child and spousal support and since 1986 for the nonpayment of federal nontax debts, like education loans. This report (1) evaluates the effect of the Refund Offset Program on the filing behavior of guaranteed student loan defaulters and (2) compares the program's estimated benefits resulting from increased debt collections with the program's estimated costs resulting from increased noncompliance.

Testimony

Tax Incentives and Enhanced Oil Recovery Techniques, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Energy and the Environment, House Committee on Interior and Insular Affairs. GAO/T-GGD-91-36, May 21 (13 pages).

Tax expenditures—reductions in income tax liability resulting from a special tax provision—are often used to achieve economic and social objectives. The arguments for petroleum production tax incentives usually encompass some combination of enhancing energy security, rewarding risk, or generating additional investment in new technologies. Generally, however, some portion of any tax expenditure is spent on activities that would have occurred anyway. GAO's review of tax incentives for petroleum production found two to be of questionable merit. Others, including tax preferences for enhanced oil recovery methods, offered the potential for better returns on the tax dollar. Increased use of enhanced oil recovery techniques could lead to additional environmental costs, however, and these need to be factored into any cost-benefit calculation.

Transportation

Freight Trucking: Promising Approach for Predicting Carriers' Safety Risks

GAO/PEMD-91-13, Apr. 4 (92 pages).

Freight trucks pose special safety risks. Over 4,000 people are killed annually in heavy truck accidents, and fatalities are about twice as likely in accidents involving tractor-trailer trucks as in those involving cars only. GAO reviewed whether certain economic or other conditions could be used as predictors of safety outcomes and discovered that firms in the weakest financial position tended to have the highest subsequent accident rates. In addition, the smallest carriers, as a group, had a higher accident rate. Firms operating closer to a broker model—that is, those relying on leased equipment and/or drivers to move freight—also

had a higher accident rate. Younger, less experienced drivers and lower paid company drivers seemed to pose greater-than-average accident risks. GAO's study demonstrates the potential for developing preventive strategies geared to differences among carriers and drivers, and it also suggests the importance of monitoring by the Department of Transportation of the variations in carrier accident rates in order to have a sound basis for developing those preventive strategies.

**FAA Registry Systems:
Key Steps Need to Be Performed Before Modernization Proceeds**

GAO/IMTEC-91-29, Apr. 9 (13 pages).

The Anti-Drug Abuse Act of 1988 requires changes to the Federal Aviation Administration's Airmen and Aircraft Registry Systems to make them more helpful to law enforcement agencies involved in aviation drug interdictions. GAO found that FAA has not adequately defined the needs of its internal users or those of the law enforcement agencies involved in drug interdiction, even though improving support for those agencies was the main reason for modernizing the Airmen and Aircraft Registry Systems. Moreover, FAA has used inadequately defined and documented functional requirements, a limited alternative systems design and configuration analysis, and a flawed cost-benefit analysis. To improve the likelihood of successful systems implementation, FAA needs to (1) define users needs and system requirements and then (2) reformulate its alternatives and cost-benefit analyses. FAA officials said that they plan to correct the deficiencies identified by GAO.

**Air Traffic Control:
Status of FAA's Modernization Effort**

GAO/RCED-91-132FS, Apr. 15 (44 pages).

This fact sheet provides information on FAA's air traffic control modernization program, which involves improvements like upgrading computers, increasing automation, and consolidating facilities. GAO discusses the status of both the overall modernization effort and selected individual major systems.

**Airport Capacity:
Civilian Use of Military Airfields Has Added Little to System
Capacity**

GAO/RCED-91-130, Apr. 18 (16 pages).

Since 1946 Congress has supported “joint use”—civilian use of active military airfields—as a way of adding to the national system of public airports. The 20 military airfields now supporting joint use provide only marginal airport capacity and little relief to congestion and delays at major metropolitan airports. This is mainly because most joint-use airports are not located in major metropolitan areas where demand for air travel is high and are not near congested major airports. As surrounding communities grow and air travel demand increases, however, these joint-use airfields could play a greater role in mitigating congestion and delays. This report discusses three conditions that would give future joint-use airfields a realistic chance of adding significantly to airport system capacity and mitigating congestion and delays.

**Airline Competition:
Effects of Airline Market Concentration and Barriers to Entry on
Airfares**

GAO/RCED-91-101, Apr. 26 (64 pages).

Rising fares and a wave of mergers and bankruptcies have heightened concern that the airline industry has become less competitive than the Airline Deregulation Act of 1978 had originally envisioned. This report, one in a series of GAO reviews of competition in the U.S. airline industry, estimates how several other factors, such as an airline’s market share and airport congestion, as well as barriers to entry, affect air fares. It also discusses the policy implications of GAO’s analysis. In testimony before Congress, GAO summarized this report and commented on four pending pieces of legislation involving long-term solutions to the competition problem; see:

Airline Competition: Pending Legislation Helps to Address Serious Competitive Problems, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-91-54, May 15 (16 pages).

**Smart Highways:
An Assessment of Their Potential to Improve Travel**

GAO/PEMD-91-18, May 1 (76 pages).

Increased traffic congestion, accident fatalities, air pollution, and inefficient fuel consumption are some of the negative consequences of increased automobile ownership in the United States. One response to this problem has been the development and application of intelligent vehicle and highway systems, commonly known as “smart highways.” The technologies involved range from centralized traffic control centers to driver information systems located in the vehicle to fully automated freeways. After reviewing 38 major studies completed over the last decade, GAO concludes that the empirical basis for judging the effects of smart highways is limited though promising. GAO identified three kinds of obstacles—cost, institutional, and technological—that could jeopardize the overall success of a domestic smart highway program. In particular, the proper mix of burden-sharing among private sector interests and federal, state, and local governments for the costs of smart highways must be determined. Further, the ability of various levels of government to work together and with the private sector is central to the success of a smart highway program. GAO supports an aggressive research and testing program during the 1990s and make several legislative recommendations to further such efforts.

**Highway Safety:
Interim Report on Safety Belt and Motorcycle Helmet Effectiveness**

GAO/RCED-91-158, May 10 (nine pages).

GAO evaluated 49 studies on motorcycle helmet laws. These studies consistently found safety and economic benefits from universal helmet laws, which apply to all riders. The studies comparing helmeted and nonhelmeted riders indicated that helmet use prevents deaths and reduces the severity of injury among surviving accident victims. Studies reported that helmet use ranges from 92 to 100 percent under universal laws versus 42 to 59 percent in states without a law or with limited laws applying only to the youngest riders. Studies also showed that fatality rates were generally 20 to 40 percent lower in states with universal laws in effect. The available studies on societal costs indicated that helmet nonuse increased the cost of caring for injured riders and that substantial indirect costs exist because nonhelmeted riders are more likely to lose earning capacity through disability or death. Of the 85 auto safety

belt studies GAO reviewed, 34 related to safety belt effectiveness. Like the motorcycle helmet studies, they were relatively consistent in their findings, with most estimating that belted occupants tended to survive crashes 50 to 75 percent more often than unbelted occupants. In addition, belted occupants were on average seriously injured 44 to 66 percent less frequently than were unbelted occupants. Finally, hospital admission rates were substantially lower for belted occupants.

Testimony

Transportation Infrastructure: Issues for Congressional Consideration During Reauthorization of Surface Transportation Programs, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Water Resources, Transportation and Infrastructure, Senate Committee on Environment and Public Works. GAO/T-RCED-91-56, May 14 (21 pages).

GAO testified on highway and highway safety reauthorization issues and the results of past and ongoing work at the Federal Highway Administration and the National Highway Traffic Safety Administration. GAO specifically discusses reauthorization issues relating to future federal spending, bridge deficiency determinations, intermodal funding for highways and mass transit, intelligent vehicle and highways systems, motorcycle helmet and automobile safety belt laws, and other highway safety matters.

Traffic Congestion: The Need and Opportunity for Federal Involvement, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the House Committee on the Budget. GAO/T-PEMD-91-10, May 29 (11 pages).

In this testimony, GAO makes five basic points: traffic congestion is a worsening problem, the federal government has a role in improving mobility, intelligent vehicle and highway systems are promising but need further testing, other low-cost approaches exist that need to be considered, and the reauthorization of the Surface Transportation Act should contain mobility-enhancing provisions. Pending highway legislation represents a key opportunity to develop a comprehensive federal approach to congestion mitigation, and GAO makes several suggestions about elements that should be included in federal surface transportation policy.

Veterans Affairs

VA Health Care: Delays in Awarding Major Construction Contracts

GAO/HRD-91-84, May 30 (eight pages).

The Department of Veterans Affairs' appropriation for fiscal year 1990 includes funding for 18 major construction projects, each estimated to cost \$2 million or more. VA's March 1991 letter to Congress and to GAO correctly identified the 17 projects that were required to but did not have working drawings on construction contracts awarded by September 30, 1990. In GAO's view, the contracting delays for 15 of the 17 projects do not constitute an impoundment of budget authority under the Impoundment Control Act. GAO is continuing to review the impoundment implications of VA's actions on the projects at the Dallas and Gainesville medical centers, however, and will report its conclusions later. VA's actions for the other 15 projects show no intent to avoid using the funds for the purpose for which they were intended. VA has awarded or expects to award contracts for 13 of the 17 projects by September 30, 1991.



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AGRICULTURE AND FOOD

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GAO/PEMD-91-16, May 6

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GAO/OGC-91-8, May 7.

Impoundments Notification of Released Funds Proposed for Rescission but Not Approved by Congress
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Small Business Information on and Improvements Needed to Surety Bond Guarantee Programs
GAO/RCED-91-99, Apr 23

Insurance Regulation State Handling of Financially Troubled Property/Casualty Insurers
GAO/GGD-91-92, May 21

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Insurance Regulation: Assessment of the National Association of the Insurance Commissioners
GAO/T-GGD-91-37, May 22.

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Federal Affirmative Action Better EEOC Guidance and Agency Analysis of Underrepresentation Needed
GAO/GGD-91-86, May 10

Testimony

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis of Underrepresentation Needed
GAO/T-GGD-91-32, May 16

Within-School Discrimination. Inadequate Title VI Enforcement by Education's Office for Civil Rights
GAO/T-HRD-91-17, May 17.

ECONOMIC DEVELOPMENT

Testimony

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement
GAO/T-RCED-91-39 and GAO/T-RCED-91-57, May 15.

EDUCATION

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Student Aid Information and Private Tuition-Guarantee Programs
GAO/T-PEMD-91-6, May 15

Vulnerabilities in the Stafford Student Loan Program
GAO/T-HRD-91-33, May 29

EMPLOYMENT

Occupational Safety & Health OSHA Policy Changes Needed to Confirm That Employers Abate Serious Hazards
GAO/HRD-91-35, May 8

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Amending the Job Training Partnership Act Inadequate Oversight Among Issues That Need to Be Addressed
GAO/T-HRD-91-28, May 9.

OSHA's Oversight of Federal Agency Safety and Health Programs
GAO/T-HRD-91-31, May 16

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Nuclear Waste: Problems and Delays With Characterizing Hanford's Single-Shell Tank Waste
GAO/RCED-91-118, Apr 23.

Alternative Fuels Increasing Federal Procurement of Alternative-Fueled Vehicles
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