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# Reports and Testimony: September 1991

## Highlights

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### Agriculture Department

*Shackled by its 1930s organizational structure, the Agriculture Department cannot respond effectively to such modern challenges as increased international competition, biotechnology, and food safety and environmental problems. Page 2.*

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### Bank of New England

*The failure of the Bank of New England—one of the costliest in U.S. banking history—might have been averted if regulators had been more aggressive in compelling the bank to correct problems identified by federal examiners as early as 1985. Page 16.*

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### House Bank

*The “House Bank”—a deposit fund administered for the convenience of members of the House of Representatives—let its account holders routinely cash checks with insufficient funds and without imposing penalties. Page 21.*

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# Reports and Testimony: September 1991

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## Special Publications

### **U.S. Communications Policy—Issues for the 1990s: Results of a GAO Roundtable and Panelists' Remarks**

GAO/IMTEC-91-52A and GAO/IMTEC-91-52B, Sept. 1991 (22 pages and 166 pages).

In February 1991, GAO sponsored a conference—"U.S. Communications Policy: Issues for the 1990s"—in response to increasing congressional interest in this area. This conference brought together government officials, academicians, and industry executives to explore and debate four critical policy issues. The four issues discussed were (1) how the communications infrastructure should be developed to promote innovation and maximize the benefits of competition, (2) the role of communications policy in promoting economic growth and development at home and competitiveness abroad, (3) how the United States should allocate the electromagnetic spectrum to support to growth of communications services as a major element of the nation's communications infrastructure, and (4) whether the U.S. communications regulatory structure is effective at promoting opportunities for technological growth and innovation, as well as providing benefits to users. The first volume presents the results of the conference and highlights the challenges facing U.S. communications policymakers. The second volume presents the panel discussions in their entirety, along with the luncheon speech delivered by Congressman Edward J. Markey, Chairman of the House Energy and Commerce Subcommittee on Telecommunications and Finance.

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## Agriculture and Food

### **U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies**

GAO/RCED-91-168, Sept. 3 (40 pages).

The U.S. Department of Agriculture's organizational structure—essentially unchanged since the 1930s—is unresponsive to the new challenges facing the Department. Consolidating and integrating organizational functions would allow USDA to provide the same service more efficiently to agribusiness customers and give it flexibility to meet needs more effectively. In addition, USDA needs to be able to coordinate and integrate its diverse responsibilities in cross-cutting issues, like food safety, water quality, and marketing. Information, financial, and human resources management systems need strategic planning to ensure that weaknesses are addressed in all agencies and that systems operate as a unit. Revitalizing USDA will not be an easy task. The individual agencies protect their

interests, which are often closely tied to special interest groups and, as such, garner considerable congressional support. Strong top management leadership is essential to ensure that individual agencies institutionalize the needed changes. Congressional support will also be needed to enable USDA to help U.S. agribusiness produce safe, healthful, and environmentally sound food and fiber products to meet the needs of consumers worldwide.

**Nutrition Monitoring:  
Mismanagement of Nutrition Survey Has Resulted in Questionable Data**

GAO/RCED-91-117, July 26 (62 pages).

Concerns about food safety and Americans' nutritional status point to the need for reliable, timely information on food use and U.S. dietary habits. The Department of Agriculture's Nationwide Foods Consumption Survey, completed most recently in 1987-88, is the government's major survey on food and nutrition consumption. However, methodological problems, deviations from the survey's original design, and lax controls over the collection and processing of the results all raise doubts about the quality and usefulness of the most recent survey. Most importantly, results from the survey may not be representative of the U.S. population because of low response rates. USDA's Human Nutrition Information Service and the Food and Nutrition Service poorly managed the contract for the 1987-88 survey, at times violating key internal controls meant to safeguard the government's best interests. The contracting officer's representative improperly approved changes without consulting the contracting officer. The contracting officer exercised no oversight during much of this time. As a result, the contractor did not complete key procedures required by the contract. These actions increased the contract's costs and delayed the contract's completion by two years.

**Nutrition Monitoring:  
USDA Charged for Work Never Done Under Contract for Nutrition Survey**

GAO/OSI-91-12, Sept. 6 (three pages).

The 1987-88 Nationwide Food Consumption Survey, a major government inquiry into food and nutrient consumption, is a decennial survey done by the U.S. Department of Agriculture's Human Nutrition Information Service. The multiyear contract to conduct the survey was awarded

in September 1986 to National Analysts (a division of Booz-Allen and Hamilton, Inc.), a commercial research firm in Philadelphia. In an earlier report (GAO/RCED-91-117, July 26, 1991), GAO noted a lack of documentation on the part of the survey contract concerning a follow-up survey of those who did not respond to the Nationwide Food Consumption Survey; GAO questioned whether the follow-up survey had actually been done. In this report, GAO notes that its subsequent investigation failed to develop documentary or testimonial evidence to suggest any conflicts of interest between USDA personnel and the contractor—National Analysts. However, according to its attorneys, Booz-Allen and Hamilton, Inc. concluded that the nonresponse follow-up survey had never been done and that some charges for work done on the contract had been applied to the billings of another USDA contract.

**USDA Commodity Forecasts:  
Inaccuracies Found May Lead to Underestimates of Budget Outlays**

GAO/PEMD-91-24, Aug. 13 (88 pages).

This report examines the USDA long-term commodity forecasts used in the President's budget process. GAO found that USDA baseline forecasts, particularly those made three to five years in advance, exhibit both large total error rates and consistent bias error components. In addition, if the bias error exhibited in long-term forecasts for crop years 1981-88 continued, and if the 1985 farm bill provisions had been extended, then costs for the commodity programs could have been \$19.5 billion higher than estimated in the President's January 1990 budget submission. Such forecast errors could also affect farm policy decisions, which take into account long-term forecasts. USDA has accepted GAO's earlier recommendations on improving forecast management and has developed a comprehensive plan for monitoring and evaluating commodity forecasts. Both USDA and GAO believe that these management efforts should improve forecast accuracy as they are implemented.

**International Food Safety:  
Comparison of U.S. and Codex Pesticide Standards**

GAO/PEMD-91-22, Aug. 22 (47 pages).

Efforts to improve agricultural trade have been underway in the Uruguay Round of the General Agreement on Tariffs and Trade negotiations since 1986. The current draft agreement suggests that countries should base their regulation on sound science and on existing international

standards, particularly those of the Codex Alimentarius Commission. There are important differences in U.S. and Codex standards for acceptable daily intake (the total amount of a pesticides that someone can ingest daily over a lifetime without any appreciable health risk) and maximum residue limit (the maximum concentration of residue allowed on a food or feed commodity according to accepted uses of a pesticide). These differences reflect several technical factors relating to pesticide and agricultural practices and to the procedures for evaluating and establishing standards. GAO's analysis of U.S. and Codex pesticide standards indicates that two-thirds of them cannot be compared because of the absence of U.S. tolerances for corresponding Codex maximum residue limits or differences in the way that pesticide residues are defined. Of the one-third that can be compared, GAO found less than half to be numerically the same. As long as differences persist, the potential for restrictions on exports and imports and greater consumer exposure to pesticide residues will remain. Opportunities may exist to reconcile differences, but a systematic review and assessment of the scientific basis for existing differences will be necessary to determine this.

**Federal Agricultural Mortgage Corporation:  
Secondary Market Development Slow and Future Uncertain**

GAO/RCED-91-181, Sept. 10 (48 pages).

The Federal Agricultural Mortgage Corporation (Farmer Mac) was created to promote the development of a secondary market for agricultural real estate and rural housing loans. Congress hoped that a secondary market for buying and selling these loans—in the form of securities guaranteed by Farmer Mac—would help make more long-term credit available to farmers, ranchers, and rural home owners. This report discusses three aspects of the market's development: (1) Farmer Mac's actions to establish the basis for the market; (2) the current status of the market, including the factors that have constrained its development; and (3) the market's effects on agricultural credit to date.

**Food Assistance:  
Information on the Private Sponsors in the 1990 Summer Food Service Program**

GAO/RCED-91-224BR, Sept. 24 (61 pages).

The Summer Food Service Program, administered by USDA's Food and Nutrition Service, is designed to provide low-income children with nutritious meals during summer vacations. The program reimburses qualifying sponsors for the free food provided to the children. In 1990—after a nine-year absence—private nonprofit sponsors like churches and community groups were readmitted into the program. This briefing report provides monitoring data gathered by the Food and Nutrition Service on the sponsors that participated in the 1990 program. GAO compares this data, which became available after GAO had completed work on an earlier report (GAO/RCED-91-82, May 23, 1991), with information on the sampled cases included in its report to see if substantial differences existed.

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## Budget and Spending

### **Impoundments:**

#### **Comments on Proposed Impoundments of Funds for Defense Research and Refugee Assistance**

GAO/OGC-91-13, Sept. 11 (three pages).

On July 24, 1991, the President submitted to Congress his sixth special impoundment message for fiscal year 1991. The message reports one proposed rescission of budget authority and revises the amount of one deferral previously reported. The proposed rescission involves Defense research while the deferral involves refugee programs. GAO reviewed the proposed rescission and the revised deferral and found them to be in accordance with the Impoundment Control Act.

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## Testimony

Budget Reforms Embodied in S. 101, the Honest Budget/Balanced Budget Act, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on the Budget. GAO/T-AFMD-91-10, Sept. 19 (11 pages).

The Comptroller General testified that S. 101—the Honest Budget/Balanced Budget Act—contributes to the needed debate over changes in the way that the federal government goes about budgeting. Fundamental changes are needed, and S. 101 is one way to look at the budget. As part of any effort to change the way we think about resource allocation, other ways also need to be considered, however, including GAO's proposed restructured budget. The Comptroller General applauds S. 101 as a starting point.

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## Business, Industry, and Consumers

### **Product Liability: Insurance Rate Levels and Claim Payments During the 1970s and 1980s**

GAO/HRD-91-108, Sept. 16 (12 pages).

Advisory organizations in the product liability insurance industry develop actuarially based rates for their participating insurers by analyzing the aggregate claims experience of large numbers of insurers and projecting future claims frequency and loss. Advisory product liability rates by the Insurance Service Office—with about 1,500 participating insurers, the largest property/casualty advisory organization in the United States—increased significantly during the 1970s and 1980s. The rates rose by about 195 percent from 1974 through 1976, were relatively stable from 1976 through 1983, and rose again by about 105 percent from 1983 through 1988. From 1988 to 1990, the advisory rate receded by 27 percent. Although corroborating data are limited, it appears that the advisory rate shifts were due, in part, to the preceding and somewhat parallel increases in the frequency of claim losses reported by the Insurance Service Office's insurers. Between 1974 and 1990, the Insurance Service Organization's participating insurers reported more than \$632 million in claim payments against manufacturers' product liability policies issued from 1972 to 1988. In 1990 those insurers were still reporting payments against policies that had expired at least 16 years ago. In evaluating the investment prospects of publicly traded businesses, product liability becomes a major factor in only a relatively few cases. In those cases, analysts have limited information to work with, making it hard for them to project the magnitude of final liability claims and their impact on businesses.

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## Education

### **Student Financial Aid: Education Can Do More to Screen Schools Before Students Receive Aid**

GAO/HRD-91-145, Sept. 27 (16 pages).

The Department of Education does not have adequate controls in place to prevent financially weak schools and schools that offer inadequate training from participating in federal student aid programs. GAO identified six requirements that states are using to license schools that could be applied to strengthen the Department's eligibility and certification process. Adoption of these requirements could provide a more rigorous

means of screening schools and establishing controls to better safeguard federal aid. The Department also recognizes the need for additional safeguards and is addressing similar issues.

**Student Loans:  
Direct Loans Could Save Money and Simplify Program  
Administration**

GAO/HRD-91-144BR, Sept. 27 (44 pages).

Can federal savings be expected if Stafford student loans are replaced with direct loans under a program proposed by the National Association of State Universities and Land Grant Colleges? GAO believes that a direct loan program operating in place of the Stafford loan program could save more than \$1 billion—present value terms—assuming that the loans are made in fiscal year 1992. The Department of Education would assume additional oversight roles under a direct loan program. In other ways, however, a direct loan program would reduce some of the Department's administrative burden, and it could improve accountability. Educational institutions would also engage in different activities in a direct loan program. At the beginning of each year, schools would perform new tasks, such as (1) forecasting loan volume, (2) requesting a transfer of funds from the Department, and (3) drawing down these funds as students receive their loans. In addition, educational institutions' paperwork and reporting requirements could be simplified. Final resolution of some issues about a direct loan program could, however, lower GAO's estimated savings.

**Testimony**

Grant Management: Improvements Needed in Federal Oversight of NSF Grants, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-91-92, Sept. 24 (11 pages).

GAO testified on grant administration at the National Science Foundation. To date, GAO has visited three of NSF's largest grantee institutions—the University of Michigan, the University of Chicago, and Harvard University. GAO indicated that NSF does not have a system in place to provide for adequate federal oversight of its grants. While large institutions are required to have independent auditors examine their controls over grant funds, in many cases these audits have not been done or accepted. NSF has also done little to ensure that these institutions have established controls safeguarding NSF grant funds. The Office of Management and

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Budget's issuance of a new circular that strengthens the audit requirement provides an opportunity to improve federal oversight of grants. However, attention is needed to ensure that the requirements in the new circular are properly implemented. Furthermore, the fact that NSF's Office of Inspector General has also recognized the need to focus its attention on the larger grantees should help to improve oversight.

Vocational Rehabilitation: Improved Federal Leadership Could Help States Focus Services on Those With Severe Handicaps, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-IIRD-91-10, Sept. 26 (11 pages).

Due to limited program funding, vocational rehabilitation now serves only a fraction of those potentially eligible. Program officials expect the number of handicapped Americans to grow as the population ages and medical technology prolongs the lives of the seriously injured. Under the Rehabilitation Act of 1973, states that cannot provide services to all eligible applicants must give individuals with the most severe handicaps first priority for rehabilitation services. GAO testified that most states have not implemented this order-of-selection provision, although the states that have find it to be a fair and manageable way to set priorities for limited resources. Overall, these states have a higher percentage of clients with severe handicaps in their caseload. GAO believes that guidance and monitoring regarding how states implement this procedure should be improved.

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## Employment

### **Labor-Management Relations: Tennessee Valley Authority Situation Needs to Improve**

GAO/GGD-91-129, Sept. 26 (93 pages).

Although the Tennessee Valley Authority is exempt from federal labor relations laws granting employees the right to collectively bargain with employers, TVA's long-standing policy has been to bargain with employees on wages and other employment matters. Even so, TVA employees and their unions lack some basic rights and protections guaranteed by law to employees in most other private and federal organizations. These include the statutory right to collectively bargain and use certain avenues for resolving disputes. TVA's labor relations have deteriorated during the past decade, and an economic downturn has exacerbated the situation. GAO sees two broad alternatives for approaching the

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current TVA labor situation. One involves a voluntary, cooperative approach by TVA and its unions, perhaps with the help of an independent third party, to work out a framework for bargaining and dispute resolution acceptable to the parties. The other approach involves legislative changes to remove the exemption and give TVA statutorily based employee rights similar to those of other organized parties. GAO favors the cooperative approach. If that is unworkable, GAO recommends replacing the present exemption with statutory requirements.

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## Testimony

States Need More Department of Labor Help to Regulate Multiple Employer Welfare Arrangements and Correct Problems, by Gregory J. McDonald, Associate Director for Income Security Issues, before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging. GAO/T-HRD-91-47, Sept. 17 (nine pages).

Multiple employer welfare arrangements are designed to provide health or other benefits to employees of two or more employers. Such arrangements are an alternative to traditional insurance, which is often prohibitively expensive for small businesses. To protect workers and their beneficiaries from fraud and mismanagement, state and federal governments cooperate in regulating multiple employer welfare arrangements. GAO testified that more guidance from the Department of Labor is needed to clarify how to distinguish among entities legitimately claiming to be collective bargaining or single-employer plans from those that should be subject to state regulation. Additional help from Labor is also needed so that states can identify multiple employer welfare arrangements, although the best approach for doing so is uncertain. If done through reregistration or certification, Labor should first work out definition, reporting, and enforcement details. Labor should also consider alternatives, including the feasibility of establishing a national list of arrangements using information obtained from such existing sources as states' registration and licensing and Labor's Employee Retirement Income Security Act of 1974 reporting data bases.

## Energy

### **Nuclear Health and Safety: Environmental, Health, and Safety Precautions at Naval Reactors Facilities**

GAO/RCED-91-157, Aug. 1 (42 pages).

GAO's review of environmental and safety programs at facilities in the Naval Reactors Program shows no basis for allegations that unsafe conditions exist there or that the environment is being harmed by activities conducted there. The prototype reactor design provides safety measures that are consistent with commercial nuclear power plants. Minor incidents affecting safety and the environment have occurred, however, and as with other nuclear facilities, past activities have caused environmental problems that require ongoing monitoring and vigilance. While the program has historically been exempt from most oversight, some federal and state environmental oversight agencies have recently been permitted access to Naval Reactors facilities for oversight purposes. The program voluntarily cooperates with the Nuclear Regulatory Commission regarding reactor modifications, safety improvements, and component reliability. In addition, the program and its contractors have established an extensive internal oversight program that is geared toward reporting the slightest deviations from requirements or procedures. Given the program's classification policies and requirements, it does not appear that the program routinely overclassifies information to prevent its release to the public or to avoid embarrassment. However, GAO did note some instances in which documents were improperly classified.

### **Nuclear Waste: Hanford Single-Shell Tank Leaks Greater Than Estimated**

GAO/RCED-91-177, Aug. 5 (20 pages).

In a 1989 report (GAO/RCED-89-157, July 10, 1989) on DOE's management of the single-shell tanks at its Hanford Site in Washington state, GAO reported—on the basis of estimates supplied by DOE contractor staff—that about 750,000 gallons of liquid waste had leaked from 66 single-shell tanks. A later leak from one of these tanks was substantially higher than the volume cited in GAO's 1989 report. GAO revisited this issue and found that the actual volume of waste that may have leaked from the single-shell tanks is unknown. The estimate of 750,000 gallons mentioned in the 1989 report did not include the volume of water added to tanks to cool the waste and that may have eventually leaked into the

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soil. Although DOE now estimates that 50,000 to 800,000 gallons of this water may have leaked from one tank alone, the total leak volume for all tanks will be unavailable until the contractor—Westinghouse—complete its ongoing review of historical tank records.

**Energy Management:  
Using DOE Employees Can Reduce Costs for Some Support Services**

GAO/RCED-91-186, Aug. 16 (20 pages).

GAO reviewed the Department of Energy's contracting practices for support services. These contracts involve obtaining staff for a wide variety of services related to DOE's management, administrative, and technical activities. This report discusses (1) the overall cost and use of the contracts, (2) the adequacy of controls to ensure that DOE's support service contracts are cost-effective, and (3) whether work done on selected support service contracts could be done less expensively by federal employees. DOE rarely considered the cost of awarding in-house performance in awarding the support service contracts GAO reviewed. In 1990 inadequate attention to cost-effectiveness cost the government at least \$5 million more than was necessary to perform activities for which GAO conducted cost comparisons. GAO believes that cost comparisons are an essential management tool in making decisions about whether to contract out.

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**Environmental  
Protection**

**Superfund:  
Public Health Assessments Incomplete and of Questionable Value**

GAO/RCED-91-178, Aug. 1 (37 pages).

In 1980 Congress created the Agency for Toxic Substances and Disease Registry to help determine the public health consequences of the worst hazardous waste sites—those included in the Environmental Protection Agency's Superfund program. Because the agency's health assessments have not fully evaluated the health risks of many Superfund sites, communities have not been fully informed about possible health effects. Under pressure of the law to assess 951 sites in slightly more than two years, the agency limited the scope of its work and produced—in the opinion of agency officials—assessments of poor or uneven quality. GAO's sample of initial assessments found that they were seriously deficient as public health analyses. Later assessments examined by GAO were improved in comparison with the initial group but still had some

problems in data or analysis. The agency's health assessments generally have not been useful to EPA or to state and local governments GAO contacted because the assessments usually did not add to EPA's own analysis of site risks or recommend actions that EPA said it would not have taken on its own. The assessments have often not contained enough data to permit agency staff to decide whether follow-on health studies were warranted. The agency has drafted new health assessment guidance for future assessments, which it believes will improve their quality and usefulness.

**Oil Reserve:  
Impact of NPR-1 Operations on Wildlife and Water Is Uncertain**

GAO/RCED-91-129 Aug. 1 (36 pages)

Argonne National Laboratory—a facility run for the Department of Energy—prepared a supplemental environmental impact statements for Naval Petroleum Reserve No. 1 (NPR-1) near Bakersfield, California. This document concluded that NPR-1 might contribute to the decline of an endangered species—the San Joaquin kit fox—and contaminate nearby ground water. However, DOE disagreed with Argonne about the impact of NPR-1 operations on the endangered fox and nearby ground water. Because these disagreements were unresolved when DOE took over the preparation of the supplemental environmental impact statement—the official draft of which is not yet completed—it is unclear how Argonne's views will be reflected in the document when it is published for comment. DOE has not taken sufficient action to ensure that NPR-1 operations have complied with environmental laws and regulations governing endangered species, historic preservation, and wastewater sumping. Noncompliance with these requirements could result in legal action, fines, and even a possible shutdown of NPR-1 operations until compliance is achieved. The Department of Interior is investigating to see if prosecution is warranted for possible endangered species violations. Although DOE is trying to address possible problems, similar problems may occur at NPR-1 in the future unless DOE management controls are improved.

**Waste Minimization:  
EPA Data Are Severely Flawed**

GAO/PEMD-91-21, Aug. 5 (nine pages).

GAO evaluated the quality of the Environmental Protection Agency's data that will be used to determine the need for mandatory hazardous

waste minimization requirements. All the data quality problems GAO identified in its February 1990 report (PEMD-90-3, Feb. 9, 1990) as likely to occur did occur. These problems included the system's inability to integrate data, uncertain data validity based on inappropriate measurement, and uncertain data reliability based on inadequate data collection methods. Some of these problems were so severe that EPA had to abandon all of the central analyses of waste minimization progress that the agency had originally planned to give to Congress. Problems like the extent of missing data were of special importance in negatively affecting the assessment of progress on hazardous waste minimization. These findings suggest that the information EPA presents to Congress will not be helpful in understanding the extent and determinants of waste minimization or in determining whether mandatory or other requirements may need to be included in the reauthorization of the Resource Conservation and Recovery Act.

**Air Pollution:  
Oxygenated Fuels Help Reduce Carbon Monoxide**

GAO/RCED-91-176, Aug. 13 (30 pages).

Carbon monoxide replaces oxygen in the bloodstream and can affect a person's vision and alertness; it can be especially harmful to people with heart and lung problems. Beginning in 1992, oxygenated fuels will have to be offered for sale in 41 cities identified by the Environmental Protection Agency as exceeding national air quality standards. Officials in six cities—Albuquerque, Denver, Las Vegas, Phoenix, Reno, and Tucson—said that the use of these fuels has cut carbon monoxide emissions. However, these same officials believe that, by itself, the use of oxygenated fuels will not ensure compliance with national carbon monoxide standards. They believe that other measures, such as the mandatory testing of vehicle emissions and trip-reduction programs, are needed to ensure the most expeditious attainment of the standards. Information on the experiences of these six cities should be useful to EPA and other cities required by the Clean Air Act Amendments of 1990 to use oxygenated fuels and implement other carbon monoxide reduction programs.

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**Hazardous Waste:  
Improvements Needed in DOD's Contracting System for Disposal of  
Waste**

GAO/NSIAD-91-131, Aug. 6 (28 pages).

The Defense Department, which generates more than 500,000 tons of hazardous waste each year, selects its contractors for removing and disposing of this material using competitive procedures and awards contracts at lowest proposed prices. DOD's current system for monitoring and tracking the disposal of hazardous waste relies upon written documentation controlled, in most cases, by the transportation contractor. Some improvements could be made to provide added assurance that waste reached a proper disposal facility. Defense does not independently verify on a continuing basis that the waste has been disposed of properly. Use of interim storage facilities by transportation contractors further reduced DOD's ability to track waste to the final disposal site.

**Hazardous Waste:  
Management Problems Continue at Overseas Military Bases**

GAO/NSIAD-91-231, Aug. 28 (52 pages).

The Defense Department has made limited progress in implementing earlier GAO recommendations and in improving its management of hazardous waste at overseas installations. Guidance has not been issued to clarify applicability of U.S. laws in the face of nonexistent or lax host country hazardous waste laws. Most overseas bases GAO visited did not have adequate hazardous waste management plans. Hazardous waste management training did not meet DOD's requirements, and DOD's oversight of activities that generated hazardous waste was still minimal. As a result, GAO found little improvement in the handling, storage, and disposal of hazardous waste at the overseas bases. DOD's failure to manage such waste properly could become costly. As of October 1990, 18 claims had been filed by host countries due to the mishandling, storage, or disposal of hazardous waste. In addition, DOD has identified nearly 300 sites with potential environmental pollution claims.

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**Coast Guard:  
Coordination and Planning for National Oil Spill Response**

GAO/RCED-91-212, Sept. 25 (27 pages).

The 11-million gallon Exxon Valdez oil spill highlighted deficiencies in the nation's ability to contain and recover spilled oil. The Oil Pollution Act of 1990 represents a major effort by Congress to address these deficiencies and to clarify the roles and responsibilities of the private sector and the federal government in preventing, preparing for, and responding to oil spills. This report examines (1) the Coast Guard's efforts to avoid unnecessary and wasteful duplication by coordinating with the private sector and others, including federal and state agencies, its plans to buy oil spill response equipment and (2) the new responsibilities the act places on the private sector and the Coast Guard and if these responsibilities call for a shift in emphasis in Coast Guard oil spill response activities.

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**Financial Institutions**

**Bank Supervision:  
OCC's Supervision of the Bank of New England Was Not Timely or Forceful**

GAO/GGD 91-128, Sept. 16 (51 pages).

According to Federal Deposit Insurance Corporation estimates, the failure of the Bank of New England may cost the Bank Insurance Fund \$2.5 billion. This is among the costliest failures in U.S. banking history. GAO concludes that the Office of the Comptroller of the Currency should have been more aggressive in ensuring that the Bank corrected system and internal control problems that OCC examiners identified as early as 1985. Even under its current supervisory guidelines, management's repeated failures to improve critical bank lending operations by 1987 would have enabled OCC to take formal enforcement actions to compel bank management to correct problems. The expansive growth strategy pursued by Bank management should have caused OCC to conduct a more thorough and aggressive examination, working to develop evidence on the adverse effects of the Bank's practices on asset quality, earnings, and capital. GAO believes that OCC could have spotted the asset quality deterioration as early as 1987, and could have demonstrated the banks' risk exposure by the time the New England real estate market softened that year. With such evidence, enforcement actions could have been taken earlier and more forcefully. In GAO's view, insider loans were

symptomatic of the liberal underwriting standards and poor management that caused the failure of both the Bank of New England and the Madison National Bank in Washington, D.C. While insider loans were far more prevalent at the latter, GAO does not believe that such loans caused either bank to fail. They did, however, represent a major conflict of interest in both organizations. The Comptroller General summarized this report in testimony before Congress; see:

oCC's Supervision of the Bank of New England, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-GGD-91-66, Sept. 19 (18 pages).

**Securities Markets:  
Clearly Defined "Chinese Wall" Standards Have Been Issued**

GAO/GGD-91-115, Aug. 21 (six pages).

GAO reviewed Securities and Exchange Commission oversight of broker-dealer "Chinese Walls"—policies and procedures for deterring and detecting the abuse of material, nonpublic information through insider trading. GAO found that clearly defined standards have been developed, which consider the nature of a broker-dealer's business, for (1) broker-dealers to use in establishing Chinese Walls and (2) SEC and the self-regulatory organizations to use in assessing compliance with the law requiring them. This report highlights the efforts that have culminated in what GAO considers to be satisfactory Chinese Wall standards.

**Resolution Trust Corporation:  
Progress Under Way in Minority and Women Outreach Program for Outside Counsel**

GAO/GGD-91-121, Aug. 30 (25 pages).

The Resolution Trust Corporation is required to prescribe regulations for including firms owned by women and minorities to the maximum extent possible in all RTC contracting activities. Officials at RTC and the Federal Deposit Insurance Corporation said that their slow start in moving the outreach program for outside counsel was due to insufficient headquarters staff. Since July 1991, however, RTC has developed regulations for the establishment of minority and women outreach programs, and these regulations were published in the Federal Register in August 1991. Resources to assist with the development of the program were

provided through additional hiring. RTC and FDIC have also adopted a joint venture program that may increase the areas of expertise for firms owned by women and minorities. Yet a number of shortcomings need to be corrected if RTC is better to achieve the program's objectives. The list of counsel utilized, the factors used to pick outside counsel, and the monthly case referral reports need improvement. Additionally, headquarters oversight of field outreach activities needs improvement. Furthermore, adequate staffing levels in headquarters and the field offices need to be maintained. RTC and FDIC have acknowledged these shortcomings and said that action plans exist. But until the necessary steps are taken to correct these problems, the program remains vulnerable to the perception that it is not accomplishing its objectives.

**Resolution Trust Corporation:  
A More Flexible Contracting-Out Policy Is Needed**

GAO/GGD-91-136, Sept. 18 (eight pages).

The Resolution Trust Corporation need not justify hiring private contractors on the basis of a comparison of in-house and private-sector contractor costs. The law states that RTC shall use the private sector whenever "practical and efficient" and does not require a justification. In practice, GAO found that RTC directs its staff to use only private-sector asset management and disposition contractors for real estate and problem loan assets. In GAO's view, this policy may not be the most effective asset management and disposition approach for RTC in some instances. RTC staff are concerned that such a change in the agency's contracting policy would divert the staff's attention from the primary goal of contracting-out asset management and disposition. GAO recognizes that RTC must contract out most of its activities; however, in some situations it would clearly be less expensive to use in-house staff. Accordingly, GAO recommends that RTC's policy on contracting-out be clarified to help ensure that it can take full advantage of such activities.

**Resolution Trust Corporation:  
Immediate Action Is Needed to Control Insurance Costs**

GAO/GGD-91-119, Sept. 20 (15 pages).

Although the Resolution Trust Corporation has made some progress in self-insuring its real estate holdings and minimizing exposure to third-

party liability, more could be done to control the cost of insurance premiums. RTC focused primarily on hiring contractors to assess its insurance needs and develop a program on the basis of the concept of self-insurance. These processes, however, have consumed more than a year—far more time than RTC's managers or Tillinghast, the management consulting firm retained by RTC to assess its risk management practices, thought it would take to get a long-term program started—and are still incomplete. RTC has missed several opportunities to save on insurance costs as a result of delays in getting the self-insurance program started.

**Resolution Trust Corporation:  
Progress Under Way in Minority- and Women-Owned Business Outreach Program**

GAO/GGD-91-138, Sept. 27 (15 pages).

GAO assessed the policies and procedures used by the Resolution Trust Corporation to maximize the involvement of minority- and women-owned businesses in contracting by the agency. Specifically, this report focuses on RTC's program concerning asset management services. GAO found that the lack of comprehensive program guidance and oversight, combined with inadequate staff at RTC headquarters, regional, and consolidated offices, resulted in a slow start in the program for minority- and women-owned businesses. GAO also found inconsistent implementation of program provisions. In addition, technical bonus points for the program were being applied inconsistently, thereby precluding some minority- and women-owned businesses from final considerations for contracts. Also, the cost advantage was not being applied because contractors' cost proposals were generally not within the required three percent of the lowest bid. While RTC has proposed a series of initiatives to boost the number of employees at regional and consolidated offices working on the program, oversight efforts may fall short because the directive does not provide for (1) more program staff at headquarters or (2) procedures for nationwide oversight to ensure uniform implementation of the program.

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**Leveraged Buyouts:  
Case Studies of Selected Leveraged Buyouts**

GAO/GGD-91-107, Sept. 16 (131 pages).

The leveraged buyout binge of the 1980s has raised concerns about the impact and efficacy of this financing technique. Questions have been raised about the fairness to parties involved, such as stockholders and bondholders; the role of and impact on financial institutions; and economic effects regarding taxes, employment, capital spending, and increased aggregate levels of debt. GAO did case studies of companies that experienced a leveraged buyout or a takeover attempt during the mid- to late-1980s. These firms include Revco D.S. Inc., Safeway Stores Inc., Allied Store Corporation, Federated Department Stores Inc., and Phillips Petroleum. This report discusses (1) what happened to companies that had been taken over through a leveraged buyout, (2) how these companies have performed since the takeover, (3) how communities have been affected, and (4) what happened to companies that amassed tremendous debt to avoid takeover.

**Bank Powers:  
Bank Holding Company Securities Subsidiaries' Market Activities  
Update**

GAO/GGD-91-131, Sept. 20 (21 pages).

Under Section 20 of the Glass Steagall Act, the Federal Reserve has allowed subsidiaries of bank holding companies to underwrite and deal in bank-ineligible securities, including municipal bonds, mortgage-related securities, asset-backed securities, and commercial paper. As of March 1991, 35 banking organizations had set up firms to engage in such activities. Four of these firms had ceased operations and two firms allowed their authority to lapse before beginning activities. Of the remaining firms, 25 had engaged in bank-ineligible activities, one firm was not yet active in the bank-ineligible securities market (although it was active in the bank-eligible market), and three firms had not yet established their subsidiaries. Fifteen of the 25 had been active less than two years. At the end of 1990, the total revenues of these subsidiaries represented 11 percent of the revenue of the securities industry. However, revenues from bank-ineligible activities represented slightly less than five percent of the subsidiaries' total revenues. Capital of the Section 20 firms amounted to about six percent of the securities industry's

capital, and eight of the Section 20 firms were among the top 50 U.S. securities firms when ranked by capital.

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## Testimony

Resolution Trust Corporation: Funding, Asset Disposition, and Structure Issues, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-91-67, Sept. 17 (29 pages).

The Resolution Trust Corporation is now about two years old. During this time, it has struggled to resolve a large number of thrifts and to sell assets. In this testimony on RTC funding, asset disposition, and structure issues, the Comptroller General notes that the management initiatives contained in the RTC Funding Act of 1991 have helped RTC focus on making needed improvements in several of its operations and programs; the act required RTC to report to Congress by September 30, 1991. The Comptroller General reports that even though progress is being made in implementing the initiatives, very much more remains to be done, and the challenges facing RTC continue to change and grow. More failed institutions will need to be resolved in a climate of shrinking demand. Also, less marketable assets will require RTC to continue to enhance its strategies to sell them. While grappling with these challenges, RTC will need to assure Congress and the taxpayers that it can efficiently and effectively carry out its multibillion dollar operations without fraud, waste, and mismanagement.

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## Financial Management

**Financial Audit:  
House Office of the Sergeant at Arms—Periods Ended 6-30-90 and 12-31-89**

GAO/AFMD-91-11, Sept. 18 (25 pages).

GAO audited the balance sheets of three appropriation funds and the “bank” deposit fund administered by the House Office of the Sergeant at Arms as of June 30, 1990, and December 31, 1989, and the related statements of operations and cash flows. In GAO’s opinion, these financial statements present fairly, in all material respects, the financial position of the three appropriation funds and the deposit fund. However, GAO’s review of the internal control structure revealed that many checks were being cashed at the House bank and then returned because of insufficient funds. While GAO first informed the Sergeant at Arms about this

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situation in August 1988, check-cashing procedures are still not being enforced in all cases and have been ineffective in reducing the number of checks being bounced. In a July 1991 letter, the Sergeant at Arms outlined further steps to improve operations of the House bank. When fully implemented, these measures should significantly reduce the number of bad checks.

**Financial Audit:  
Senate Restaurants Revolving Fund for Fiscal Years 1990 and 1989**

GAO/AFMD-91-82, Sept. 24 (16 pages).

GAO audited the balance sheets of the U.S. Senate Restaurants Revolving Fund for fiscal years 1990 and 1989 and the related statements of operations and cash flows for these years. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the Fund for fiscal years 1990 and 1989 and the results of its operations and cash flows for those years, in conformity with generally accepted accounting principles.

**Federal Credit and Insurance:  
Information on the Dollar Amount of Direct Loan, Loan Guarantee,  
and Insurance Programs**

GAO/AFMD-91-81FS, July 29 (10 pages).

This fact sheet, which provides financial information on the federal government's loans and loan guarantees, updates an earlier GAO report (GAO/AFMD-90-11, Nov. 16, 1989). GAO presents amounts for direct loan, loan guarantee, and federal insurance programs along with information on outstanding loans made by government-sponsored enterprises. The federal government's total exposure for these programs exceeded \$6.2 trillion at the end of fiscal year 1990, up \$1.1 trillion from fiscal year 1988. While the government will undoubtedly not be required to provide financial assistance for its total exposure associated with these programs, its continuing and growing exposure to losses cannot be ignored.

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**Financial Management:  
Treasury Tax and Loan Account Activity at Two Troubled Banks**

GAO/AFMD-91-87, Sept. 12 (14 pages).

This report examines the investment and withdrawal of federal funds in the Treasury Tax and Loan accounts at two troubled banks that later failed—the Bank of New England and Freedom National Bank. Media reports in late 1990 and early 1991 suggested that the Bank of New England, a large bank, was given special treatment with respect to the investment and withdrawal of Treasury Tax and Loan accounts in an effort to keep the bank afloat, while Freedom National Bank, a much smaller, minority owned bank, was not accorded the same opportunity. GAO noted no special treatment with regard to the Bank of New England's account. GAO found that activity associated with Treasury Tax and Loan funds at the two banks was in accordance with Treasury regulations. Despite financial instability, the Bank of New England increased the maximum amount of Treasury Tax and Loan funds it was allowed to hold from \$350 million in January 1990 to a high of nearly \$1.8 billion in March 1990. The bank pledged collateral in accordance with Treasury regulations to secure these funds. In contrast, Freedom National Bank was unable to adequately collateralize the Treasury Tax and Loan funds it held, resulting in Treasury and the Federal Reserve Bank of New York (1) decreasing the maximum amount of Treasury Tax and Loan funds the banks was allowed to maintain from \$15 million to \$8 million and (2) accelerating the transfer of large Treasury Tax and Loan deposits from the bank to the Federal Reserve.

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**Government  
Operations**

**Federal Workforce:  
Inappropriate Use of Experts and Consultants at Selected Civilian  
Agencies**

GAO/GGD-91-99, July 17 (34 pages).

The services of outside experts and consultants can be obtained through appointments of individuals to the civil service as special government employees, under procurement contracts, or through advisory committee. GAO examined whether (1) agencies complied with federal requirements for making expert and consultant appointments and (2) agencies and the Office of Personnel Management adequately monitored the appointments to ensure compliance with applicable requirements. Out of 106 appointments randomly selected and examined, GAO

found that 37 were inappropriate, primarily because they were made to positions that involved full-time or continuous duties that are the responsibility of career employees. Further, some experts and consultants do not appear to have the required qualifications for the positions to which they were appointed. GAO believes that the problems found with these appointments went undetected because of limited agency and OPM oversight.

**Merit Systems Protection Board:  
Time-And-Attendance and Personnel Practices Need Attention**

GAO/GGD-91-104, Aug. 8 (37 pages).

As presidential appointees, U.S. Merit Systems Protection Board members are not required to work specific duty schedules or set hours. Accordingly, they can legally maintain whatever work schedules and office hours they deem appropriate. All other employees of the Board must comply with the agency's established time and attendance requirements. In reviewing time and attendance practices in the offices of the three Board members and the Executive Director in 1989, GAO found extensive breakdowns in internal controls in the time and attendance and record-keeping practices. The Board also improperly detailed three Schedule C appointees from the Vice Chairman's office in November 1989. The Board violated its own published pay-setting policy on three separate occasions when it made initial appointments to the Senior Executive Service at a pay level higher than the agency's pay-setting policy authorized. In addition, the Board improperly had its Inspector General reporting to the Executive Director rather than directly to the Chairman, a practice that violates GAO standards and Office of Management and Budget requirements for organizational independence. Finally, evidence exists that many past and present Board employees believe that the Board has a racially or sexually discriminatory working environment.

**D.C. Government:  
Information on the Homeless Family Program**

GAO/GGD-91-108, Aug. 22 (30 pages).

While the District of Columbia has been providing housing to homeless families since the mid-1960s, enactment of the D.C. Right to Overnight Shelter Initiative of 1984 gave every homeless person in the District the right to overnight shelter. As a result, the number of homeless families

assisted has increased more than 300 percent from fiscal years 1984 through 1990. This report addresses five issues concerning the operation of the District's homeless family program: (1) What approaches has the District used to acquire its apartment-style shelter housing? (2) What is the District paying for contract shelter and support services? (3) How does the District monitor contractor performance? (4) How many once-homeless families have located permanent housing? (5) How many families who left a shelter have returned to the program?

**Federal Records:  
Document Removal by Agency Heads Needs Independent Oversight**

GAO/GGD-91-117, Aug. 30 (35 pages).

GAO looked into the removal of government documents by the last two agency heads during the Reagan administration at the Departments of Defense, Justice, State, and Treasury. It discovered that records of departing agency heads were not controlled by the National Archives and Records Administration, as is done for departing presidents. All eight of the former agency heads removed documents when they left office, and two of the four agencies did not know if records had been removed. Agencies were unaware of classified material in two removed collections and failed to ensure that required security restrictions were followed for a significant amount of classified material in a third collection removed to a private business. Also, at least half of the collections contained original documents that agencies did not know had been removed. As a result, GAO believes that it is possible that official records were also removed. Once documents are removed, the government's access to them is not ensured—as evidenced by GAO's being denied access to three of the eight collections. GAO concludes that current internal controls do not adequately ensure that government records and information are properly protected because no independent review of documents is made before they are removed. GAO believes that the National Archives and Records Administration should oversee plans by agency heads to remove documents and determine whether their relinquishment and removal are consistent with federal laws and regulations.

**Grant Administration:  
Implementation of National Endowment for the Arts Reauthoriza-  
tion Act**

GAO/GGD-91-102FS, Sept. 17 (20 pages).

GAO studied the National Endowment for the Arts' staffing policies, including its use of consultants and contractors as administrative staff. In particular, GAO looked at NEA practices, such as the membership of review panels, limitations on the number of terms of a review panel member, conflict-of-interest requirements, detailed grant application reporting requirements, and the institution of interim reporting and installation grant payment procedures. NEA made procedural changes to meet the requirements of its reauthorization act. It now requires all panels to have a knowledgeable layperson as a member, limits the panel members' terms to no more than three consecutive years, and requires all panels to be free of conflicts of interest. Further, NEA now requires all applicants to provide a project description. NEA also requires interim reports from certain grantees and makes installment payments for certain grants.

**Asset Management:  
Governmentwide Asset Disposition Activities**

GAO/GGD-91-139FS, Sept. 27 (53 pages).

The federal government has a fragmented approach to managing and disposing of assets targeted for disposition. Over time, authority for managing and disposing of these assets has been given to many agencies, and congressional oversight has been spread among numerous committees. The result is an absence of any central control over asset disposition activities as illustrated by the lack of a governmentwide inventory of these assets. This fact sheet provides such an inventory and describes the extent of federal involvement in asset disposition activities.

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**Pay and Benefits:  
Information on Four Federal Banking Agencies**

GAO/GGD-91-137BR, Sept. 30 (59 pages).

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 seeks to promote comparability in pay and benefits among the federal banking agencies and to avoid agency competition for qualified personnel. GAO reviewed conditions at the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. This briefing report discusses mechanisms of cooperation established by the agencies to seek comparability; policies adopted by the agencies that affect actual comparability, such as geographic differentials and performance based awards; and actual data reflecting current pay schedules, including the mean and median pay within a salary range, the number of employees paid above and below their designated ranges, and the distributions within each range.

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**Testimony**

Federal Lobbying: Lobbying the Executive Branch, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-GGD-91-70, Sept. 25 (20 pages).

The Byrd amendment, enacted in October 1989, prohibits the use of federal funds for lobbying agency employees or Members or employees of Congress in connection with the awarding of contracts and loans and entering cooperative agreements. GAO testified that 28 of 31 agencies it surveyed had implemented the amendment; three agencies—the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, and the Export-Import Bank—had not. GAO and many Inspectors General identified problems with the act's implementation and effectiveness. Required certifications and disclosure forms were not always made and disclosure forms that were filed were often incomplete, lacking such required information as payments to lobbyists, the names of persons lobbied, and the dates of service. Reasons for these problems include the newness of the law, the voluntary nature of compliance, ambiguity in the definition of lobbying, exclusion of certain types of program advocacy from the act, and ambiguity in the law and the Office of Management and Budget's guidance to agencies on the act's implementation. Refinements to the law and to OMB's guidance can reduce some of these problems. On a related matter, GAO testified that none of the disclosure

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forms filed with the Senate so far relate to contracts awarded by the Federal Aviation Administration, despite the fact that agency officials had frequent contact with contractors and their representatives about contract awards.

Proposed Sale of Federal Land to the Columbia Hospital for Women, by Ray C. Rist, Director of Operations in GAO's General Government Division, before the Subcommittee on Fiscal Affairs and Health, House Committee on the District of Columbia. GAO/T-GGD-91-69, Sept. 25 (nine pages).

H.R. 2750 would authorize the sale of government-owned land in the District of Columbia to the Columbia Hospital for Women for \$12 million. In this testimony, GAO summarizes its past work on the appraised value of this land and assesses the hospital's financial condition.

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## Health

### **Drug Abuse Prevention: Federal Efforts to Identify Exemplary Programs Need Stronger Design**

GAO/PEMD-91-15, Aug. 22 (75 pages).

In examining the policies and procedures of two federal efforts to recognize exemplary drug abuse prevention programs, GAO found that the Departments of Education and Health and Human Services have unnecessarily limited the search for successful drug abuse prevention programs by considering only those with a "no-use" approach. These programs consistently argue that any use of drugs, alcohol, or tobacco is always wrong and harmful. In contrast, responsible-use approaches—while not condoning the use of drugs, alcohol, or tobacco—may try to prevent or delay the onset of substance abuse by stressing informed decision making or may try to reduce the riskiest forms of use (such as drinking and driving) or encourage current substance users to cut down. GAO concludes that the search for effective drug abuse prevention programs will be most effective and public confidence in the results of these federal recognition efforts will be greatest if (1) their policies are broadened to permit review of any type of promising program and (2) their procedures are revised to increase the emphasis on evidence of effectiveness.

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**Health Care:  
Actions to Terminate Problem Hospitals From Medicare Are  
Inadequate**

GAO/HRD-91-54, Sept. 5 (18 pages).

State survey agencies often spot acute care hospitals that do not comply with one or more Medicare conditions of participation. Most hospitals correct the problems identified to the satisfaction of state surveyors within the required 90 days. Yet many do not, and the Health Care Financing Administration rarely terminates them from Medicare. GAO believes that the penalty for noncompliance must be credible enough to make a hospital take prompt action. HCFA's termination record casts doubt on its willingness to remove any but the worst hospitals from the Medicare program. Termination for failure to correct deficiencies within 90 days may be too harsh a penalty to impose on some hospitals, however. In GAO's view, HCFA needs a variety of options in dealing with such situations, including focusing media coverage on identified problems, imposing monetary penalties, and closing beds. Termination should be used as a last resort against those few hospitals that either cannot or refuse to comply with Medicare requirements. Several states—in enforcing their own licensing requirements—have recognized this and supplement their termination authority with enforcement options that can be tailored to the severity of the deficiency identified.

**Medicaid:  
Changes in Drug Prices Paid by VA and DOD Since Enactment of  
Rebate Provisions**

GAO/HRD-91-139, Sept. 18 (24 pages).

In 1990 rapid increases in Medicaid prescription drug costs led Congress to significantly change how Medicaid programs pay for outpatient prescription drugs. Drug manufacturers are now required to give rebates to state Medicaid programs on the basis of the discounts offered to large purchasers. Reports that drug manufacturers were raising prices charged to the Department of Veterans Affairs and the Defense Department raised congressional concerns about the impact of the legislation on federal agencies' costs. This report focuses on how VA and DOD prescriptions drug prices have changed and what effect the changes have had on agency costs.

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**Off-Label Drugs:  
Reimbursement Policies Constrain Physicians in Their Choice of  
Cancer Therapies**

GAO/PEMD-91-14, Sept. 27 (59 pages).

Physicians argue that the treatment of cancer patients is being compromised by restrictions on health care. Specifically, oncologists report that health insurers are denying reimbursements for some drugs used “off-label” (that is, using drugs approved for one type of cancer to treat other types). GAO found that off-label use of anticancer drugs is widespread; one-third of all drugs given to cancer patients were off-label, and more than half of the patients received at least one off-label drug. More than half of the oncologists GAO surveyed reported reimbursement problems for the use of drugs off-label, with most indicating that problems were getting worse. Respondents also reported that reimbursement policies and the costs of certain drugs have made them alter their preferred treatments. Most important—because of the high prevalence of the diseases—is GAO’s finding that the treatments for lung and colon cancers were among those most influenced by reimbursement policies. Some 62 percent of GAO’s respondents reported admitting patients to the hospital solely to circumvent restrictions imposed by reimbursement policies. They are doing so because drug reimbursement policies are generally less restrictive for inpatient care.

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**Testimony**

Rural Hospitals: Closures and Issues of Access, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Task Force on Rural Elderly, House Select Committee on Aging.

GAO/T-HRD-91-46, Sept. 4 (10 pages).

Between 1980 and 1988, 200 rural hospitals closed. GAO testified that the Department of Health and Human Services needs to actively work on a coordinated approach to identifying and helping communities where essential hospitals are at risk. In GAO’s view, the issue is not one of authority or available resources but rather how HHS uses its authority to deliver the right kinds of assistance to the right hospitals. Further, if Congress decides to take additional action to help rural hospitals, funding should (1) target at-risk, essential, and potentially viable hospitals; (2) be enough to make a difference in financial status for these hospitals; and (3) help a community strengthen access to alternative sources of care if a hospital providing essential services is not likely to remain viable.

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Managed Care: Oregon Program Appears Successful but Expansions Should Be Implemented Cautiously, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-91-48, Sept. 16 (19 pages).

Under its demonstration proposal, Oregon plans to expand its prepaid managed care activities as part of a larger proposal to restructure its entire Medicaid program. Oregon plans to institute a more cost-effective Medicaid program while substantially expanding eligibility by (1) establishing a priority list of covered services and (2) instituting a statewide managed care program. While financial oversight activities and reporting requirements could be strengthened, GAO concludes that Oregon has designed, implemented, and operated a Medicaid managed care program that provides access to quality care for most of its recipients of Aid to Families With Dependent Children. GAO is uncertain, however, whether Oregon can implement the statewide managed care system as rapidly as proposed, and whether financial oversight and monitoring activities will be adequate. In GAO's view, the apparent success of the Oregon program to date may be credited in large part to the deliberate pace with which it was implemented with proper state oversight. Moving to a statewide system in only one year seems very difficult. It is unclear that Oregon can establish the provider network to support the large enrollment that quickly. The state assumes that HMOs not now participating in the Medicaid program will become interested and that physician care organizations now participating will convert to full capitation or consolidate with other plans. GAO believes that the Health Care Financing Administration should require Oregon to demonstrate that there is adequate provider capacity and enough oversight in place before it is allowed to implement the demonstration project.

Hispanic Access to Health Care: Significant Gaps Exist, by Eleanor Chelmsky, Assistant Comptroller General for Program Evaluation and Methodology, before the House Select Committee on Aging and before the Congressional Hispanic Caucus. GAO/T-PEMD-91-13, Sept. 19 (42 pages).

In 1989 one-third of all Hispanics had no health insurance at all. GAO testified that many Hispanics, particularly Mexican-Americans and Puerto Ricans, lack private health insurance because they work jobs that do not provide this benefit and because they cannot afford to buy health insurance on their own. Many Hispanics live in states with stringent Medicaid eligibility criteria, which hampers their access to public

health insurance. Despite recent efforts to collect data on Hispanic health, experts agree that knowledge about the health status of this group is imprecise and has been insufficiently analyzed. In GAO's view, initial steps toward achieving a more rational health care delivery process for Hispanics clearly involve more adequate health insurance coverage (both private and public), expanded neighborhood access to primary care, better sanitation in specific locations, and major improvements in available data to allow appropriate planning and evaluation.

Drug Abuse Research: Federal Funding and Future Needs, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-PEMD-91-14, Sept. 25 (21 pages).

In this testimony, GAO discusses funding trends for research on the causes, prevention, and treatment of drug abuse. In particular, GAO examines two agencies producing most of this type of research—the National Institute on Drug Abuse, part of the Department of Health and Human Services, and components of the Department of Justice's Office of Justice Programs. GAO recommends that Congress review the place of research, including evaluation, in the national drug control program; research appears now to have a very modest role. In GAO's view, it seems timely to review whether the budget commitment to research is appropriate and to set broad priorities as to what directions it should take.

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## Income Security

### **Employee Benefits: Effect of Bankruptcy on Retiree Health Benefits**

GAO/HRD-91-115, Aug. 30 (16 pages).

Almost half of the 40 bankrupt companies GAO surveyed terminated retiree health benefits, leaving 91,000 retirees responsible for obtaining their own health coverage. In some cases, the loss of benefits lasted for between one to 16 months; in others, termination was permanent. The laws intended to protect retiree health benefits in bankruptcies failed to stop companies from ending benefits because the firms either were not subject to the U.S. bankruptcy code, were legally permitted to sever benefits because they had terminated active workers' benefits as well, or had the approval of the bankruptcy court to do so. Once a company enters bankruptcy, there is little chance of securing retirees' health benefits. Therefore, GAO concludes that future efforts to increase the

security of these benefits must address such issues as advance funding of benefits. Retirees from companies that self-insured were more likely to have unpaid claims for covered health services received before the plan terminated than were retirees from firms offering coverage through insurance companies or health maintenance organizations.

**Social Security:  
Measure of Telephone Service Accuracy Can Be Improved**

GAO/HRD-91-69, Aug. 30 (17 pages).

This report assesses the Social Security Administration's method for measuring the accuracy of the information it provides to the public over its toll-free 800 telephone services. GAO found that SSA's method of assessing accuracy did not produce consistent evaluation of the responses it provided to callers. Hence, SSA's study results were unreliable. GAO disagreed with SSA's rating of response accuracy and completeness on 35 percent of the 260 issues evaluated during 188 jointly monitored phone calls. Further, SSA reviewers inconsistently rated the responses of their teleservice representatives. The inconsistent ratings were caused by two fundamental shortcomings in SSA's "live-call" study methodology. First, SSA guidance for evaluating telephone responses was inadequate. Second, SSA did not record the telephone calls it sampled, making it hard for reviewers to make consistent and well-reasoned evaluations of conversations. In a related matter, recent legislation requires SSA to restore the public's phone access to more than 800 local SSA field offices in addition to its ongoing toll-free 800 number service. To have a comprehensive monitoring system, SSA needs to develop a methodology for measuring the accuracy of phone service to be provided by these offices.

**Social Security:  
Telephone Access to Local Field Offices**

GAO/HRD-91-112, Sept. 13 (16 pages).

Legislation passed in 1990 requires the Social Security Administration to maintain the public's telephone access to local offices. It also requires SSA to ask phone companies to publish telephone numbers and addresses for local offices. GAO found that local SSA field offices have requested that their numbers and addresses be printed in local phone books. While SSA has maintained local office general inquiry telephone service, some offices have fewer lines and less staff available to handle telephone

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inquiries. SSA's local field offices have experienced reductions in both staffing and telephone equipment since September 1989, the date that the law uses as a benchmark for telephone service levels. This happened in conjunction with the agency's overall downsizing program and because it planned to convert its telephone service entirely to a national 800 telephone service. SSA interprets the law as allowing some discretion in deciding how local telephone access will be achieved. Therefore, SSA has no plans to reverse the decreases.

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## Testimony

GAO Views on H.R. 2898, the "Social Security Protection Act of 1991," by Harry S. Havens, Assistant Comptroller General, before the Subcommittee on the Legislative Process, House Committee on Rules. GAO/T-AFMD-91-11, Sept. 26 (five pages).

GAO testified on H.R. 2898's proposed treatment of the administrative expenses of the Social Security old-age, survivors, and disability insurance programs. Since fiscal year 1986 and prior to the enactment of the Budget Enforcement Act of 1990, the receipts and disbursements of the programs were off-budget but were included in the deficit calculations of the Gramm-Rudman-Hollings legislation. H.R. 2898 would provide explicitly that program administrative expenses not be counted for purposes of the budget submitted by the President, the congressional budget, or Gramm-Rudman-Hollings; not be considered to be in any discretionary spending category; and be exempt from any sequestration order. GAO does not favor excluding program administrative expenses from the discretionary spending category. If, however, Congress does enact such a change, GAO also does not favor prohibiting an appropriate adjustment in the discretionary spending limits.

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## Information Management

### **Telecommunications: GSA Should Improve Oversight of Small Business Contracting**

GAO/IMTEC-91-57, July 9 (11 pages).

The prime contractors are exceeding their subcontracting goals under the FTS 2000, Technical Assistance and Management Services, and Washington Interagency Telecommunications System contracts, using small and small disadvantaged businesses for telecommunications and other services. Some large subcontractors did not provide their plans for further subcontracting, however, and opportunities for subcontracting to small and small disadvantaged businesses may have been missed. As a

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result, it is unclear whether “maximum practicable opportunity” has been afforded to these businesses under these contracts. GSA’s and the prime contractors’ lack of diligence in overseeing large contractor compliance with the law has contributed to this uncertainty.

**High-Performance Computing:  
Industry Uses of Supercomputers and High-Speed Networks**

GAO/IMTEC-91-58, July 30 (29 pages).

Supercomputers contribute significantly to the ability of the oil, automobile, aerospace, and chemical and pharmaceutical industries to solve complex problems. They help firms to design new and better products in less time, and to stimulate product tests that would have been impossible without spending months experimenting with expensive product models. Yet representatives of companies in these industries say that several key barriers hinder greater use of supercomputers. These barriers include (1) the high cost of supercomputers, (2) a lack of application software, (3) the cultural resistance to the shift from physical experiments to an increased reliance on computational experiments, and (4) a lack of supercomputing education and training. High-speed networks contribute to improved productivity by enabling industries to more efficiently share information and resources and to collaborate on product development over distances. Firms within the oil, automobile, and computer industries, for example, rely on high-speed networks to transfer large graphics and data files and to access computers worldwide. Several companies said that they would be unable to develop products in a timely manner without high-speed networks.

**High-Performance Computing:  
High-Speed Computer Networks in the United States, Europe, and Japan**

GAO/IMTEC-91-69, Sept. 4 (46 pages).

This report provides information on U.S., European, and Japanese efforts to develop high-speed computer efforts. Currently, the United States is the leader in the quest to develop high-speed computer networks for research and education. Although their networks are generally less developed than those in the United States, Europe and Japan clearly recognize the importance of high-speed networks and have plans

and projects under way to enhance the speed and capability of their networks. Presently, however, Europe and Japan face a number of financial, organizational, and other issues that—if not addressed—could halt development or expansion of their network infrastructures. If they are successful in resolving these issues, European and Japan may be able to strengthen their position in advancing research and education through the use of high-speed computer networks.

**Land Management Systems:  
Extensive Cost Increases and Delays in BLM's Major Data Base Project**

GAO/IMTEC-91-55, Aug. 5 (13 pages).

The Geographic Coordinate Data Base is the cornerstone of an information system intended to help the Bureau of Land Management improve environmental analyses and land-use planning and management. BLM has not met its cost or schedule goals, however, because it substantially underestimated the complexities and management demands of developing the data base. As a result, the project will cost millions more and will be finished years later than expected. Further, some of BLM's state offices will have to wait to realize the full benefits of the Automated Land and Mineral Record System since the data collection for the Geographic Coordinate Data Base will continue for at least one year after the former is fully implemented. These cost increases and schedule delays are likely to continue unless BLM can dramatically change the average cost per parcel and production rates. BLM managers, however, have not always been well informed about the project's status and problems and have made decisions that increased project risks and costs. BLM managers have started to solve problems that have adversely affected the project. Many of these corrective actions have been taken only recently, and the outcomes are not yet clear. Continued management attention, however, is essential.

**Tax System Modernization:  
Status of On-Line Files Initiative and Telecommunications Planning**

GAO/IMTEC-91-41FS, Aug. 14 (11 pages).

The Internal Revenue Service's Corporate Files On-Line consists of a series of projects that will allow IRS employees to search for and retrieve taxpayer information—like names and social security numbers—faster than before. This short-term initiative will be replaced in phases, by

fiscal year 1996, as part of IRS' Tax System Modernization program. Currently, four of the systems have been fully implemented, and most of the others are scheduled to be completed by April 1993. IRS originally planned for a second version of Corporate File On-Line to add advanced data management and retrieval capabilities, but GAO advised the agency that this would be expensive and provide few additional benefits. As a result, IRS has canceled the initiative, saving an estimated \$125 million. Tax System Modernization will require telecommunications that permit the new computer systems to work together. In October 1990, IRS reorganized its Telecommunications Division so that it would be easier to coordinate telecommunications planning and implementation. IRS has also assigned telecommunications a high priority in planning for Tax System Modernization.

**ADP Procurement:  
DOD's Approach to Providing Logistics Data on Compact Disk Is Justified**

GAO/IMTEC-91-74, Aug. 28 (13 pages).

In November 1989, the Defense Logistics Agency started a competitive procurement to publish and distribute the federal supply catalog using compact disk read-only memory technology. GAO found that the agency followed the Federal Information Resources Management Regulation and the General Services Administration guidance in conducting its requirements analysis and in analyzing the alternatives to meet its mission requirements concerning the catalog. The requirements analysis adequately identified and documented the functions that the agency needs to meet its mission. The agency's alternatives analysis adequately identified and evaluated alternatives to meet those needs and adequately supported the alternatives it chose. Further, the agency's acquisition approach encouraged the use of nondevelopmental items to the maximum extent practicable.

**Information Resources:  
HCFA Must Better Justify Further Data Center Expansion**

GAO/IMTEC-91-65, Sept. 5 (eight pages).

Because of growth in its major programs, new legislative requirements, and the continuing need for more information to set future policy, the Health Care Financing Administration can expect increasing work loads at its data center. Before any further expansion of the center can be

justified, however, HCFA must develop an effective requirements analysis commensurate with the size and complexity of its proposed acquisition of resources for the center. Such an analysis must consider future information needs and detailed capacity management information. HCFA's existing capacity management activities cannot provide the detailed information needed to support expansion of the center. Without an adequate requirements analysis, HCFA cannot ensure that it is acquiring the right level of computer capacity.

**Programming Language:  
Defense Policies and Plans for Implementing Ada**

GAO/IMTEC-91-70BR, Sept. 6 (16 pages).

The law requires the use of Ada programming language for all software development, where cost effective. GAO found that the Defense Department and the services' current policies support the intent of the law to use Ada for software, including information systems and automated weapons systems. However, the section of the policy covering waivers is not consistently interpreted and uniformly applied among Defense components. The Office of the Secretary of Defense plans to clarify its policy on waivers when it updates Defense software policies by the end of 1991.

**FTS 2000:  
GSA Must Resolve Critical Pricing Issues**

GAO/IMTEC-91-79, Sept. 11 (17 pages).

To replace the government's outdated federal telecommunications system with advanced telecommunications services, the General Services Administration awarded the FTS 2000 contracts to AT&T and US Sprint in December 1988. Although a major objective of FTS 2000 is to provide telecommunications services at a cost comparable to or below commercial levels, GAO found that the government has paid substantially above commercial rates for FTS 2000 services and will continue to do so unless prices are reduced. GAO estimates that for fiscal years 1991 and 1992, FTS 2000 prices for switched-voice services will exceed commercial rates by \$148 million. GSA has tried to cut prices, but a significant gap between commercial rates and FTS 2000 remains. The vendors assert that FTS 2000 contract requirements go beyond typical commercial services. GSA, however, has been unable to determine if the cost of these additional requirements is warranted, and GAO questions whether they

are worth an additional \$148 million over two years. GSA will soon begin price redetermination with the two vendors. If this process fails to yield prices that are favorable to the government in comparison to commercial rates, GSA should consider alternatives, including reallocating all FTS 2000 traffic to one vendor if appropriate or conducting a new, full, and open competition.

**Defense ADP:  
A Coordinated Strategy Is Needed to Implement the CALS Initiative**

GAO/IMTEC-91-54, Sept. 13 (29 pages).

The Defense Department started the Computer-aided Acquisition and Logistics Support (CALS) initiative in 1985 to automate the millions of pages of technical data needed to support weapons systems, thereby reducing maintenance and support costs. GAO concludes that CAL's benefits could be significant, but that progress in achieving its objectives has been slow. GAO believes that DOD's decentralized approach to implementing CALS is responsible for this slow progress and makes recommendations for improving the initiative.

**Global Financial Markets:  
International Coordination Can Help Address Automation Risks**

GAO/IMTEC-91-62 and GAO/IMTEC-91-62ES (translation into French, German, Japanese, and Spanish) Sept. 20 (60 pages and 38 pages).

GAO researched the use of automation in securities and futures markets in 13 countries: Australia, Belgium, Canada, France, Germany, Hong Kong, Japan, Luxembourg, the Netherlands, Singapore, Switzerland, the United Kingdom, and the United States. Because of efficiency, competition, and market expansion opportunities, most major and emerging markets either have automated or plan to automate. Markets need to ensure that systems have the security to prevent unauthorized access and the misuse of data; the capacity to support timely operations; and contingency plans in the event of system failure, natural disaster, or sabotage. Most exchanges and clearance and settlement organizations have tried to strengthen controls over automation risks, but these efforts vary widely in comprehensiveness. Regulatory oversight of such risks is generally limited worldwide, except for recent, initial steps taken by U.S. regulators. Finally, although several international organizations have addressed aspects of automation, such efforts have lacked the marketwide coordination needed to systematically reduce the risks

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introduced by automation—risks that could grow in importance within the next decade as international trading and reliance on automated systems increase. Given increasing automation in worldwide securities and futures markets, GAO recommends that U.S. regulators convene an international forum to discuss automation risks.

**Medical ADP Systems:  
Changes in Composite Health Care System's Deployment Strategy  
Are Unwise**

GAO/IMTEC-91-47, Sept. 30 (36 pages).

The Defense Department is developing the Composite Health Care System for use in more than 690 medical treatment facilities worldwide. This medical information system, which has a \$1.6-billion cost ceiling set by Congress, shows promise of greatly enhancing DOD's ability to manage patient care data, but DOD's recently revised strategy for testing and deploying the system is unwise. DOD plans to deploy a software version that does not include, as originally planned, either the capability to archive and retrieve patient records, or an efficient method for entry of physicians' orders. Even though significant operational testing issues remain unresolved and a credible determination of the system's costs and benefits is incomplete, DOD has already spent \$12.9 million to deploy the system at 77 medical treatment facilities before the completion of operational testing. This deployment does not comply with DOD's own policy and also violates legislation.

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**International Affairs**

**Southwest Asia:  
Cost of Protecting U.S. Interests**

GAO/NSIAD-91-250, Aug. 14 (22 pages).

Following the fall of the Shah of Iran in 1980 and the resulting turmoil in the region, President Carter announced that the United States would use military force, if necessary, to protect its vital interests in the Persian Gulf against outside influence. President Reagan later expanded this commitment to include indirect threats, such as those resulting from intraregional conflicts like the Iran-Iraq war. GAO examined the cost of activities related to the protection of U.S. interests in Southwest Asia, which includes oil-producing countries in the Middle East. This report provides cost information on (1) U.S. military program and activities in the region; (2) bilateral military and economic assistance to countries of

strategic importance in the area; (3) multilateral economic assistance to countries in the Middle East; and (4) bilateral and multilateral nonmilitary assistance to any petroleum-producing country for activities related to petroleum exploration, production, and distribution.

**State Department:  
Efforts Under Way to Enhance Management of Overseas Real Property**

GAO/NSIAD-91-277, Sept. 5 (32 pages).

Lax oversight and inadequate planning have continued to plague the State Department's management of overseas real property. The State Department has recently acted to correct these problems by determining post maintenance conditions worldwide, enhancing maintenance assistance to posts, requiring yearly maintenance inspections, establishing new housing standards, establishing oversight and planning policies, enhancing key automated information systems, and developing a five-year program plan. However, many of these initiatives are in the planning stage or early stages of implementation and may take several years to implement fully. Until then, the State Department will remain vulnerable to waste and misuse of funds.

**Refugees:  
Living Conditions Are Marginal**

GAO/NSIAD-91-258, Sept. 11 (57 pages).

GAO reviewed the living conditions of refugees in six countries—Ethiopia, Sudan, Guinea, Malawi, Malaysia, and Pakistan—that together hosted about one-third of the world's refugees as of the fall of 1990. GAO found that U.N. agencies, host governments, and many private voluntary or nongovernmental organizations all played complementary roles in providing care and assistance to the refugees. Except for isolated pockets, refugees generally received the minimum care necessary to sustain life. Living conditions and provisions for refugee assistance varied widely from location to location, and the host countries and agencies providing help often faced major obstacles in delivering aid.

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**International Trade:**  
**U.S. Business Access to Certain Foreign State-of-the-Art Technology**

GAO/NSIAD-91-278, Sept. 12 (50 pages).

As foreign firms have become dominant in some high-tech industries, U.S. companies have become increasingly dependent on foreign supplies for certain state-of-the-art parts, equipment, and technologies. GAO interviewed 59 U.S. companies in the semiconductor, semiconductor materials and equipment, and computer industries as well as two government research laboratories that buy semiconductors and semiconductor equipment; about 85 percent of those interviewed were buying state-of-the-art products from Japan. About 42 percent of these firms provided specific examples of Japanese suppliers (1) rejecting their offers to buy advanced equipment, parts, or technologies or (2) delaying their delivery by more than six months. According to the U.S. firms, these suppliers were not limiting those products to in-house use but were selling them to other Japanese firms. U.S. company representatives said that Japanese suppliers often cited reasons for delaying or denying sales, such as a lack of U.S. service facilities and the need for product testing; the U.S. industry representatives did not believe that the practice of withholding certain products from U.S. firms was illegal. GAO interviewed six major Japanese suppliers that had been cited for delaying or refusing sales to U.S. firms, and all of them denied engaging in this practice. The U.S. companies GAO interviewed indicated that pressure by Japanese suppliers on U.S. companies to take certain actions—such as buying other items—to obtain products is not a significant problem.

**International Trade:**  
**Factors Affecting the Price of Alaskan Bristol Bay Sockeye Salmon**

GAO/NSIAD-91-322, Sept. 13 (12 pages).

Three factors explain the drop in prices for Bristol Bay sockeye salmon in 1991: the size of the Bristol Bay catch, the inventory of salmon in Japan, and the competitive importance of farmed salmon in the Japanese market. GAO found that the Bristol Bay catch has been high for the last three years; year-end inventories of salmon have been steadily rising in Japan, Bristol Bay's most important market; and the supply of farmed Salmon, perceived by the Japanese as of higher quality than Bristol Bay sockeye, has increased.

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**The U.S. Export-Import Bank:  
No Evidence of Financing Restricted Chemical Exports to Iraq**

GAO/NSIAD-91-284, Sept. 30 (six pages).

No evidence was found in the documents GAO reviewed to suggest that the Eximbank financed the export of dual-use chemicals (chemicals with both commercial and military applications that could be used for chemical weapons) to Iraq between January 1987 and August 1990. There were about 190 transactions between Iraq and the Eximbank during this period; GAO focused its review on eight transactions involving pesticides. While the Eximbank is not responsible for monitoring the export of chemicals or any other commodities, it has recently developed specific procedures to review applications for financing chemical exports. Such procedures, however, were not in place when the Eximbank approved the applications for seven of eight pesticide transactions that occurred between January 1987 and August 1990.

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**Testimony**

**Refugee-Related Issues in Turkey and the Soviet Union**, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on Immigration, Refugees, and International Law, House Committee on the Judiciary. GAO/T-NSIAD-91-35, Sept. 23 (nine pages).

GAO recently completed reviews of relief efforts in the Persian Gulf war, a U.S.-funded project for Bulgarian refugees in Turkey, and a follow-up review early this year on the processing of Soviet refugees. This testimony discusses (1) the circumstances of displaced Iraqis and others in Turkey, (2) U.S. efforts to assist in their support and resettlement, and (3) the status of U.S. refugee processing in the Soviet Union.

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**Justice and Law  
Enforcement**

**Drug Control:  
Impact of DOD's Detection and Monitoring on Cocaine Flow**

GAO/NSIAD-91-297, Sept. 19 (32 pages).

Amid growing concern over the national security threat posed by illegal drugs, Congress passed legislation designating the Defense Department as the lead agency for detecting and monitoring air and sea shipments of illegal drugs in transit to the United States. DOD has given detection and monitoring a high priority, adopting a cooperative, pragmatic approach to implementing this mission. Although this approach has allowed DOD to

expand national surveillance of drug traffic through its significant commitment of aircraft, radars, and other resources, it has not produced fully integrated detection and monitoring operations. Moreover, DOD's detection and monitoring efforts have not significantly reduced drug supplies; the estimated cocaine flow into the United States did not decrease in either 1989 or 1990. Many smugglers will continue to ship cocaine into the United States with impunity unless (1) better search technology is developed and (2) the profit margin in cocaine trafficking decreases. Interdiction alone cannot raise cocaine traffickers' costs and risks enough to make a difference, regardless of how well DOD carries out its detection and monitoring mission.

**Asset Forfeiture:  
Customs Reports Improved Controls Over Sales of Forfeited  
Property**

GAO/GGD-91-127, Sept. 25 (23 pages).

GAO found that cash sales for more than \$10,000 at U.S. Customs Service auctions were not being reported to the Internal Revenue Service by the previous management contractor. The reporting requirement was designed to help ensure that large cash incomes were being reported to IRS and to curtail money laundering. Record keeping was also poor, making it hard for GAO to reconstruct the specifics of such sales. Customs officials said that the current management contractor has corrected these problems. GAO identified no widespread instances of potentially prohibited purchases during its review of controls Customs uses to ensure that its employees and those of its management contractor and subcontractors do not buy forfeited property and general order merchandise. However, the absence of key buyer identification information on sales transaction records prevented GAO from fully testing 28 percent of the purchases at the auctions it analyzed. More importantly, the absence of complete, readily available information on buyers reduced Customs' and the management contractor's basis for evaluating essentially passive controls over purchases of the forfeited property and general order merchandise. The current management contractor appears to have procedures in place that provide a better basis for ensuring the collection of complete data in the future. With one exception—the purchase of a low-value vehicle—GAO found no indication that violators were buying property that had been seized from them.

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Testimony

Accidental Shootings: Data on Children, by George Silberman, Assistant Director in GAO's Program Evaluation and Methodology Division, before Maryland's Montgomery County Council. GAO/T-PEMD-91-15, Sept. 24 (two pages).

This testimony summarizes a recent GAO report on accidental shootings. (See GAO/PEMD-91-9, Mar. 19, 1991). GAO made two main points. First, the number of children involved in accidental shootings is substantial; among the 1,500 accidental shooting victims in 1988, about 18 percent were children under age 15. Second, the number of accidents resulting in injuries far exceeds the number of accidents resulting in death.

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National Defense,  
Security, and Military  
Procurement

**Defense Management:  
DOD's Plans to Consolidate Printing**

GAO/NSIAD-91-268, Aug. 1 (12 pages).

Effective October 1, 1991, DOD plans to consolidate the printing work of the Army, Air Force, Defense Logistics Agency, and Marine Corps under the Navy Publishing and Printing Service. GAO's review of these printing consolidation plans raises several unresolved issues. GAO found that (1) some of the assumptions used to determine the savings estimate are questionable and might affect the results; (2) key decisions about printing plants, equipment, and the realization of savings will not be made until after the consolidation takes place; and (3) the impact on procuring commercial printing services has not been determined. GAO believes that Congress should withhold the \$20 million in investment funds to replace equipment and prohibit the consolidation from proceeding until DOD adequately responds to the concerns of Congress and GAO. GAO summarized this report in testimony before Congress; see:

DOD's Plans to Consolidate Printing, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Joint Committee on Printing. GAO/T-NSIAD-91-54, Sept. 24 (12 pages).

**Internal Controls:  
Theft at Three Defense Facilities in Utah**

GAO/NSIAD-91-215, Aug. 22 (17 pages).

GAO reviewed the results of Operation Punchout, a sting operation designed to identify and apprehend surplus dealers who bought and sold

government property from DOD facilities in Nevada. As of March 1991, Operation Punchout had uncovered 65 cases of unlawful sale or suspected theft and trafficking of government property. Undercover agents had purchased almost 7,500 pieces of military equipment worth about \$13.8 million. These items ranged from ammunition and clothing to F-16 jet engines. Of the 65 cases, 54 took place at three Utah defense facilities: Hill Air Force Base, Tooele Army Depot, and the Utah National Guard. The Utah cases involved 54 people, many of whom were either prosecuted by the Justice Department, court-martialed, or otherwise punished by the military. Internal control weaknesses at the three facilities allowed these thefts to occur. Officials at the three facilities have tried to strengthen the internal controls by increasing supervision, instituting or increasing physical security, and emphasizing to staff the importance of security vigilance. It is too early, however, to assess the effectiveness of these actions.

**Submarine Combat System:  
BSY-2 Development Risks Must Be Addressed and Production  
Schedule Reassessed**

GAO/IMTEC-91-30, Aug. 22 (44 pages).

The Navy's SSN-21 Seawolf nuclear attack submarine relies on a sophisticated automated combat system—the BSY-2—to detect, classify, track, and launch weapons at enemy subsurface, surface, and land targets. This combat system is a mammoth software engineering challenge, costing \$1.4 billion for the development and production of just the first three systems and involving more than 3 million lines of code. In GAO's view, however, the risks that the Navy has taken in developing its BSY-2 combat system are serious and must be addressed. To meet delivery schedules, the Navy is neglecting sound management principles and practices by not only developing the first three systems but also seeking approval of three more systems. By doing so, the Navy could find itself with combat systems that fall short of their promised capability and could cost millions to enhance.

**Defense Force Management:  
The 1990 Reduction-in-Force at the Mare Island Naval Shipyard**

GAO/NSIAD-91-306, Aug. 30 (16 pages).

Mare Island is one of eight Navy shipyards that repair and overhaul Navy ships. A reduction-in-force at that facility in September 1990

resulted in complaints about discrimination against women, veterans, and those with seniority. This report examines (1) the reasons for the RIF; (2) its impact on women and blacks and shipyard actions to reduce that impact; (3) the appropriateness of using separate job categories for nuclear and ocean engineering work; and (4) the layoff rates for white-collar versus blue-collar positions. GAO notes that the RIF appears to have had a disproportionate effect on women and minorities and believes that this situation might have been recognized and addressed earlier had the Navy issued timely instructions with substantive guidance on implementing an equal employment opportunity analysis.

**Women in the Military:  
Air Force Revises Job Availability but Entry Screening Needs  
Review**

GAO/NSIAD-91-199, Aug. 30 (10 pages).

In the past, the Air Force maintained separate computerized job lists for men and women. The number of jobs in each separate job list was determined by an Air Force analysis of the proportion of men and women in the eligible population who were interested in and qualified for those jobs. Those separate job listings limited women to competing for only those jobs listed for women. GAO found that the Air Force has eliminated separate job listings for men and women as required by the National Defense Authorization Act for Fiscal Year 1989. The Air Force has retained the capability to apply gender limits to meet potential changes in the combat exclusion prohibitions. Initially, there was no clear designation of who could apply gender limits. However, in response to GAO's review, the Air Force assigned that responsibility within the Air Force Directorate of Personnel Plans. GAO identified one related issue that appears to go against a gender-neutral policy. Tests used by the Air Force to screen applicants measure applicants' prior knowledge in subject areas that have a strong gender association. This screening mechanism eliminates female applicants at a higher rate than male applicants.

**Tactical Aircraft:  
Issues Concerning the Navy's Maritime Patrol Aircraft**

GAO/NSIAD-91-229, Sept. 4 (26 pages).

Since the mid-1980s, the Navy has pursued several alternatives, including the canceled P-7A development program, to address expected patrol aircraft retirements starting in the late 1990s. Currently, the

Navy has no proposal for replacing patrol aircraft but is evaluating a program to procure an upgraded version of the P-3C. The Navy is reducing its maritime patrol force level and is subsequently lowering its inventory requirements, but Navy projections indicate that in the late 1990s, the patrol fleet will fall below inventory requirements. A possible service life extension for patrol aircraft could defer retirements six years and lessen the urgency for acquiring aircraft for a few years.

**Chemical and Biological Warfare:  
Use of Collective Protection on Vehicles, Aircraft, and Ships**

GAO/NSIAD-91-273FS, Sept. 5 (12 pages).

This fact sheet examines collective protection devices to shield weapon systems in the event of chemical and biological warfare. GAO discusses (1) congressional legislation and DOD and service regulations that address collective protection devices that limit contamination; (2) weapon systems within each service that are equipped with collective protection devices; and (3) where available, costs to equip weapons systems with these devices.

**Army Weapons:  
Acquisition of Interim Improved Hellfire Missiles Not Justified**

GAO/NSIAD-91-314, Sept. 6 (six pages).

The laser-guided Hellfire missile, the main armament on the Apache and Cobra helicopters, is designed to penetrate and destroy tanks from as far away as 6,500 meters. Congress provided funding for the Hellfire missile in the fiscal year 1991 supplemental appropriation for Operation Desert Shield/Desert Storm. Although DOD said that the appropriation would be used to buy the more capable Hellfire optimized missile, Hellfire program officials said that the Army plans to use most of the money to purchase the interim improved Hellfire missile. GAO believes that purchase of the interim improved missile would not be the most effective use of such funds because (1) the interim improved missile has performance shortfalls, (2) the optimized missile—an improvement designed to correct many of these shortfalls—is scheduled for limited production in June 1992, and (3) the Army will have more than 32,000 basic and interim missiles in its inventory by February 1993.

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**Titan IV Launch Vehicle:  
Restructure Program Could Reduce Fiscal Year 1991 Funding Needs**

GAO/NSIAD-91-271, Sept. 6 (14 pages).

Program delays and uncertainties may result in lower funding requirements for fiscal years 1992 through 1993 for the Titan IV program. The Air Force plans to slow down production to better synchronize production and launch schedules for the Titan IV expendable launch vehicle program. Since Titan IV program officials and the contractor have not yet agreed on the revised schedule and cost estimate, specific information about the impact on the budget is not yet available. In addition, not all of the fiscal year 1992 procurement funding may be needed for the solid rocket motor upgrade due to program delays. Program uncertainties also raise questions about the long-lead funding and future full procurement of two Inertial Upper Stage vehicles. In addition, construction costs for the Solid Rocket Motor Assembly and Readiness Facility at Titan IV's Cape Canaveral launch site were less than expected. Therefore, \$35.5 million of funds from the Air Force military construction appropriation for fiscal year 1990 can be rescinded.

**1992 Defense Budget:  
Potential Adjustments to Ammunition Programs**

GAO/NSIAD-91-276, Sept. 12 (37 pages).

GAO concludes that most items in the military services' \$2.2 billion fiscal year 1992 request for ammunition and the Army's \$201.3 million request for production base support were justified. However, GAO believes that \$295.5 million—or 12.3 percent—of the request is not justified and should not be funded. GAO also concludes that \$10.1 million in the Army's fiscal year 1991 ammunition production base support appropriation is not needed because the funding is intended for projects at Army ammunition plants scheduled to be closed in fiscal year 1993. In addition, GAO concludes that there were 12 Army and seven Marine Corps items for which the projected inventory levels were lower than the inventory objectives and that these items could be produced within the fiscal year 1992 program period. Increases for these unbudgeted items could more than offset any reductions to the requests for budgeted items.

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**Defense Procurement:  
Acquiring Technical Data for Spare Parts Reprourement**

GAO/NSIAD-91-313, Sept. 13 (eight pages).

Section 1213 of the Defense Procurement Reform Act of 1984 requires agencies to consider acquiring technical data and the right to use it for competitive reproUREMENTS when preparing a solicitation for a development or production contract for a major system. This measure is intended to ensure that the government will be able to reproCURE spare parts for major systems competitively to avoid excessively priced spare parts. This report examines (1) how DOD implements and enforces this provision of the act, (2) whether technical data is being acquired, and (3) whether the acquisition of the technical data packages has resulted in lower prices and increased competition.

**Tactical Missile Acquisitions:  
Understated Technical Risks Leading to Cost and Schedule Overruns**

GAO/NSIAD-91-280, Sept. 17 (21 pages).

GAO reviewed DOD missile acquisition programs to (1) determine whether they are meeting their cost and schedule goals, (2) determine why some programs fail to meet these goals, and (3) recommend ways to help the acquisition program meet its goals. GAO looked at one group of missiles with at least five years of production experience to see whether they had overrun cost or schedule goals. All 12 of the missile systems GAO selected had such problems. While the overruns could be attributed to many interrelated factors, some of which are not under DOD's control (like changes in threat and congressional direction), optimistic planning assumptions by program officials were a common factor underlying major overruns. GAO also selected a smaller group of eight missiles at different milestone decision points to discover why such overruns occurred. GAO found that key DOD program reviews, designed to help ensure that the service's cost and schedule estimates are not overly optimistic, could be improved if they included a more thorough assessment of the technical assumptions behind the cost and schedule estimates. DOD has recently implemented revised regulations and procedures meant to improve technical risk management.

**Army Maintenance:  
More Effective Implementation of Maintenance Expenditure Limits  
Needed**

GAO/NSIAD-91-270, Sept. 18 (10 pages).

The Army's policies and procedures for computing and using maintenance expenditure limits are intended to help inventory managers select the more cost-effective alternative when deciding to either repair or buy depot-level reparable spare parts. The three buying commands reviewed by GAO, however, were not effectively implementing these policies and procedures. In fact, these policies and procedures were not a factor in their repair-or-buy decisions. In addition, the Army Materiel Command's management controls provided insufficient oversight of the command's use of these policies and procedures. As a result, the command's top-level managers could not ensure that the buying commands were meeting economically the Army's requirements for depot-level spare parts.

**Military Education:  
Curriculum Changes at the Armed Forces Staff College**

GAO/NSIAD-91-288, Sept. 19 (28 pages).

GAO reviewed Phase II joint professional education at the Armed Force's Staff College's Joint and Combined Staff Officer School located in Norfolk, Virginia. Overall, the college has incorporated the guidance of the Panel on Military Education for improving its new 12-week intermediate curriculum. The number of classroom hours in the 12-week program has increased while preparation hours have decreased compared to the nine-week program. According to the Commandant, the reduction in preparation hours allows greater opportunity for joint student interaction. The college sharpened the focus and contents of readings, case studies, practical exercises, and its wargame—areas emphasized by the Panel. While the Commandant said that the service headquarters have provided high quality military faculty members, GAO notes that faculty promotion rates have lagged behind specialists and other line officers. The college itself has little or no say in student selection, despite the Panel's support for such involvement. The Commandant is satisfied with the student selection process already in place, and said that educational issues should be the college's primary focus. In addition, the Commandant and other college officials said that they are satisfied with the quality of students sent by the services. Direct entry—allowing intermediate and

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senior students to attend Phase II without first graduating from a Phase I in-resident program—is a continuing practice.

**1992 Army Budget:  
Potential Reductions to Missile Programs**

GAO/NSIAD-91-320BR, Sept. 23 (18 pages).

GAO reviewed the Army's justification for its fiscal year 1992 budget requests of \$1.5 billion for 15 missile systems to determine whether the programs should be funded in the amounts requested. In addition, GAO reviewed selected segments of appropriations for prior years for some systems, including the fiscal year 1991 Operation Desert Shield/Desert Storm supplemental appropriation of \$539.5 million for five of the systems, to determine whether unused funds could be rescinded. GAO identified \$90.2 million in potential reductions and rescissions to seven of the 15 missile programs. In addition, GAO believes that restrictions could be placed on obligational authority for \$65.3 million in the fiscal year 1992 request for one of the seven systems. These reductions and rescissions result primarily from (1) requests for fiscal year 1992 procurement funds that could be postponed to future years, (2) questionable or reduced requirements, (3) less than anticipated costs, and (4) recalculated amounts using more current unit cost estimates.

**Defense Against Nuclear Weapons:  
Coordinated Strategy Needed Between SDI and Air Defense Initiative**

GAO/NSIAD-91-264, Sept. 24 (20 pages).

Recent policy decisions to provide protection against limited strikes, combined with the projected decrease in numbers of ballistic missiles and the increase in cruise missile systems by the late 1990s, suggest that the Strategic Defense Initiative and the Air Defense Initiative programs should be closely linked. However, these programs appear to be proceeding independently and on different schedules. The architectures for both programs are scheduled to reach full-scale development and production by the late 1990s. However, the Air Defense Initiative schedule is years behind the schedule for SDI's new architecture, known as Global Protection Against Limited Strikes. It is estimated that parts of SDI's new architecture will enter full-scale development in fiscal year 1993. For fiscal years 1992 and 1993, DOD's funding request of \$589 million for the Air Defense Initiative is only six percent of its \$9.5 billion request for

SDI. The funding difference between the programs indicates that the Air Defense Initiative will fall further behind SDI in the coming years. When the programs focused on providing deterrence, these funding and schedule differences did not appear to present a problem, since the U.S. offensive strategic forces provide enough deterrence to stop the Soviets from launching a nuclear attack on the United States with either ballistic or cruise missiles. However, now that the programs focus on providing protection, both systems will be necessary if Congress decides that comprehensive protection is needed.

**National Guard:  
Peacetime Training Did Not Adequately Prepare Combat Brigades  
for Gulf War**

GAO/NSIAD-91-263, Sept. 24 (55 pages).

During Operations Desert Storm and Desert Shield, thousands of Army reservists and National Guard members were sent to the Persian Gulf for both combat and support missions. GAO found that the Army did not adequately prepare its National Guard "roundout" brigades to be fully ready to deploy quickly. When the three brigades were activated for the Gulf war, many soldiers were not completely trained to do their jobs; many noncommissioned officers were not adequately trained in leadership skills; and Guard members had difficulty adjusting to the active Army's administrative systems for supply and personnel management, which are very different from those the National Guard uses in peacetime. Also, when activated, many soldiers had serious medical or dental conditions that would have delayed or prevented their deployment. The activation of the three roundout brigades also revealed that the post-mobilization training plans that they prepared during peacetime underestimated the training needed for them to be fully combat ready. After the brigades were activated, the Army developed revised training plans calling for more than three times the number of training days estimated in the readiness report and requiring the support of almost 9,000 active Army trainers and other personnel.

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**Operation Desert Storm:  
The Services' Efforts to Provide Logistics Support for Selected  
Weapon Systems**

GAO/NSIAD-91-321, Sept. 26 (47 pages).

The military services were generally able to attain and maintain high equipment operational capability rates for the systems deployed in support of Operation Desert Shield/Desert Storm. The services initially had to give priority to the deployed forces and, to varying degrees, reduce the mission capability of the nondeployed forces. To ensure that the high mission capability rates continued, the services employed a wide range of logistics support initiatives, including expedited deliveries, expedited contract awards, and increased maintenance and repair capability. While some of these added logistics measures would only be used in wartime because of the costs involved, others have a peacetime application and could be incorporated into the day-to-day logistics structure. If the conflict had gone on for a protracted period, sustainability could have become a major problem for the Army's air and ground systems. The Army, the Marine Corps, and the Air Force experienced problems with their rotary-wing aircraft systems operating in desert conditions. The Army knew about some of these problems for as long as eight years but had not corrected them because of higher priority funding requirements. As a result, modification work orders had to be expedited when the problems recurred during Operation Desert Shield.

**1992 Navy Budget:  
Potential Reductions in Weapons Procurement Programs**

GAO/NSIAD-91-301BR, Sept. 25 (25 pages).

GAO reviewed the Navy's justification for its fiscal years 1992/1993 weapons procurement budget request and prior year appropriations. GAO found potential reductions for the following seven missile and ordnance systems: Standard Missile, Standard Missile Modification, Aerial Targets, Drones and Decoys, Sparrow Missile Modification, MK-15 Phalanx Close-in Weapons System, and MK-15 Close-in Weapons System Modifications. GAO also reviewed the Vertical Launched Antisubmarine Rocker and the Phoenix Missile Modifications to report on programmatic issues. In addition, GAO identified for possible rescission funds that were no longer needed for purposes specified in the selected weapons procurement programs. GAO identified \$153.9 million in potential reductions to the fiscal year 1992 budget request and \$406.2 million in potential

rescissions from appropriated funds for fiscal years 1990 and 1991. GAO also identified for potential rescission \$86.4 million in fiscal year 1989 funds and, for potential reduction, \$3.3 million in fiscal year 1992 funds for the Vertical Launched Anti-Submarine Rocket, and a potential rescission of \$60 million in 1991 funds for the Phoenix Missile Modifications program withheld due to programmatic issues. In addition, GAO identified \$166.2 million in potential rescissions from fiscal years 1989-91 funds that was either being held pending a program review decision or was no longer needed for the purposes specified in the selected weapons procurement activities.

**1992 Navy Budget:  
Potential Reduction in Aircraft Procurement Program**

GAO/NSIAD-91-324BR, Sept. 27 (seven pages).

GAO identified \$893.5 million in unobligated fiscal year 1990 funds in the now terminated A-12 Avenger program that is available for rescission. These funds cannot be used for the original purpose for which they were appropriated, and the Navy had previously decided that it did not need these funds for other programs. GAO found no other potential rescissions from prior years and no potential reductions to the fiscal year 1992 amended budget request. However, GAO's review indicated that Congress could forego the planned addition of \$625 million in fiscal year 1992 appropriations for the development, manufacture, and operational testing of "production representative" V-22 Osprey aircraft because the prototype aircraft has not completed testing.

**1992 Navy Budget:  
Potential Reductions in Research, Development, Test, and Evaluation Programs**

GAO/NSIAD-91-315BR, Sept. 30 (20 pages).

GAO identified \$321.7 million in potential reductions to the Navy's research, development, test, and evaluation budget request for fiscal year 1992 and \$150.6 million in potential rescissions to appropriated funds from fiscal year 1991. The programs GAO analyzed include the skipper enhancement, electric drive system, MK-48 advanced capability torpedo, container offloading and transfer system, airborne antisubmarine warfare development, air launch saturation system, vertical launch antisubmarine rocker, tomahawk, surface antisubmarine warfare system improvement, fixed distributed system, and target systems

development. In addition, GAO identified potential rescissions of \$1,140.5 million to fiscal year 1991 funds that are being held in reserve by the Office of the Secretary of Defense and the Navy Comptroller pending allocation, reprogramming, program review, or transfer.

**1992 Army Budget:  
Potential Reductions in Operation and Maintenance Programs in  
U.S. Army, Europe**

GAO/NSIAD-91-311BR, Sept. 27 (13 pages).

This briefing report examines the Army's justification for its fiscal year 1992 operation and maintenance budget request for the U.S. Army, Europe. Army Budget Office officials said that the Army's fiscal year 1992 operation and maintenance request included \$2.387 billion for U.S. Army, Europe general-purpose forces. This represents about 28 percent of the Army's total operation and maintenance request for all Army general-purpose forces. Specifically, GAO reviewed the amounts requested for operating tempo, civilian personnel, operation of Prepositioned Materiel Configured to Unit Sets storage facilities, and real property maintenance accounts. GAO identified \$77.3 million in potential reductions to the fiscal year 1992 budget request.

**1992 Army Budget:  
Potential Reductions in Helicopter, Heavy Equipment, and Tank  
Programs**

GAO/NSIAD-91-302BR, Sept. 27 (seven pages).

GAO identified potential reductions and rescissions of \$39.8 million in the amounts requested or appropriated for the Reconnaissance Attack Helicopter, the Heavy Equipment Transporter, and the M1A1 Abrams tank—a reduction of \$27.8 million in fiscal year 1992 and rescissions of \$2 million in fiscal year 1991 and \$10 million in fiscal year 1990. These reductions and rescissions are possible because (1) excess funds were requested or appropriated, (2) cost estimates have decreased, (3) or funding is not needed until after fiscal year 1992.

## Natural Resources

### **Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed**

GAO/RCED-91-175, Aug. 22 (32 pages).

California's Central Valley—one of the most productive agricultural areas in the world—relies on millions of gallons of federally subsidized water for irrigation each year. Significant environmental and water use problems have arisen in the Central Valley due to irrigation practices carried out under water service contracts. These problems have included selenium poisoning and increased salinity in the San Joaquin Valley. Some farmers using water supplied by the Central Valley Project produce crops that are also eligible for subsidies under the U.S. Department of Agriculture's commodity programs. Moreover, the diversion of water for irrigation has depleted the water available for wildlife habitat like wetlands. The Secretary of the Interior is now renewing 40-year service contracts with water supply districts to supply subsidized water for irrigation. Unless these renewed contracts provide incentives to change irrigation practices and allow greater flexibility in water use, problems may continue. In addition, if the contracts provide for the same quantities of low-cost water, irrigators will have little incentive to use water more efficiently. GAO recommends that Congress (1) place a moratorium on all Central Valley Project contract renewals, while temporarily extending existing contracts, and (2) amend the law to explicitly allow contract renewals for lesser quantities of water and shorter periods of time so that the Bureau of Reclamation can periodically assess water use.

## Testimony

Water Subsidies: Views on Proposed Reclamation Reform Legislation, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Water and Power, Senate Committee on Energy and Natural Resources. GAO/T-RCED-91-90, Sept. 12 (17 pages).

GAO testified on four pieces of proposed legislation—H.R. 429, passed by the House of Representatives in June 1991; S. 1501, introduced by Senator Burns and others; a bill drafted by the Department of the Interior's Bureau of Reclamation; and a bill drafted by Senator Bradley—that would amend the Reclamation Act of 1982. These four proposals are intended to change provisions in the law that permit multiple landholdings, each of which is within the act's 960-acre limit, to continue to be run as one large farm while still individually qualifying for federally subsidized water. While each of the proposals may limit federally subsidized water to some or all of the operations in GAO's case studies of farm

operations, GAO believes that some farmers will likely reorganize their operations again in response to any new law passed by Congress. Therefore, GAO suggests that any amending legislation be as clear as possible in limiting the acreage on which a farm or farm operation is eligible to receive federally subsidized water. Any amending legislation should include a clear statement of purpose to provide the Bureau of Reclamation guidance in implementing the new law. GAO also believes that any factors or indicators explicitly excluded in determining the existence of a farm or farm operations should be clearly defined. Further, if certain factors are to be excluded from consideration, the exclusion should only apply to the factors individually and not in conjunction with other factors.

## Science, Space, and Technology

### **Space Project Testing: Uniform Policies and Added Controls Would Strengthen Testing Activities**

GAO/NSIAD-91-248, Sept. 16 (41 pages).

In April 1990, NASA sent the \$1.5 billion Hubble Space Telescope into orbit around the earth. Soon after, the agency discovered that the telescope's primary mirror had been improperly manufactured, severely degrading its scientific capabilities. GAO looked at NASA testing practices and found that they vary from project to project because NASA lacks uniform policies governing testing. All NASA centers have oversight controls to help ensure that contractors properly plan and conduct tests and report the results. Controls at some centers, however, could be strengthened. Also, according to a recent National Academy of Public Administration study, NASA needs to retain more of its research and development work in-house to give civil service personnel the experience necessary to adequately oversee agency contractors. No standard exists for determining the amount of resources that should be devoted to testing, but according to NASA officials, resources are normally enough to conduct essential tests. However, project managers must sometimes make cost-risk tradeoffs when defining the scope and extent of testing programs. Further, some in-house test facilities and equipment need upgrading.

**Space Communications:  
Better Understanding of Scheduling System Limitations Needed**

GAO/IMTEC-91-48, Sept. 17 (34 pages).

The Tracking and Data Relay Satellite System is NASA's primary means for communicating with low earth orbiting spacecraft. Unlike a telephone system, the Tracking and Data Relay Satellite System is not immediately available to provide routine communications service whenever controllers and scientists need to communicate with spacecraft. Instead, service must typically be requested weeks in advance. Because certain system resources are limited, conflicts between users for the same service at the same time are common. A lack of automated tools has made the conflict resolution process more tedious, labor-intensive, and potentially error-prone than necessary. With only seven spacecraft now using the system, NASA is able to meet users' communications needs. System users are concerned, however, that the current scheduling system may be reaching its practical limit—a point at which the addition of new users jeopardizes the ability of the system to meet all users' needs. However, the agency has only recently begun collecting specific data on the amount of conflict resolution activity that the scheduling system currently supports. An entirely new scheduling system is being planned but will not be ready until 1997 at the earliest. NASA believes that scheduling system improvements can wait until the new system is developed in 1997. GAO is concerned that this level of confidence is unwarranted, especially since no precise assessment of the impact of near-term future system users has been made. NASA should find out whether the current scheduling system will be able to handle increasing user demand through the late 1990s, especially when the shuttle is flying.

**Earth Observing System:  
Information on NASA's Selection of Data Centers**

GAO/IMTEC-91-67, Sept. 18 (18 pages).

According to officials of the Earth Observing System program, the process NASA used to select the seven Distributed Active Archive Centers sites was largely subjective. They said that no systematic objective analyses were made in which candidate sites were weighed against the agency's stated criteria. A number of data centers with significant earth science data holding were not chosen as sites, including one other NASA center as well as facilities run by the National Oceanic and Atmospheric

Administration, the National Science Foundation, the Environmental Protection Agency, and the Departments of Energy and Agriculture. NASA plans to negotiate agreements with some of these agencies to have their facilities serve as affiliated data centers, providing the Earth Observing System Data and Information System with specially processed data unavailable elsewhere. As integral parts of the system, the centers will be responsible for processing, archiving, and distributing data from the Earth Observing System instruments. Each center will handle data related to specific scientific disciplines. NASA has allowed for future changes to the number or location of the centers but currently has no plans to make any such changes.

## Testimony

Copyright Law Constraints on the Transfer of Certain Federal Computer Software With Commercial Applications, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-91-91, Sept. 13 (six pages).

GAO testified on how current copyright law constrains the transfer of federal computer software and on the implications of proposed legislation—S. 1581, the Technology Transfer Improvements Act of 1991. GAO contacted researchers, laboratory managers, and senior officials at six federal agencies and found that a significant portion of their laboratories' software has not been effectively transferred to and used by U.S. business due to copyright prohibitions. Effective transfer of this software is, in GAO's view, an appropriate goal that could be achieved by amending the law to allow agencies to copyright and license computer software with commercial applications. Alternatively, the law could be amended to allow federal agencies to copyright and grant licenses to federal software developed under a cooperative research and development agreement—an approach taken by S. 1581. GAO believes that this proposed change would enhance the ability of federal agencies to enter into collaborations involving software between federal laboratories and U.S. business. Further, the bill would allow federal researchers who develop software under a cooperative research and development agreement that is later commercialized to share in the royalties, providing an added incentive for collaboration and establishing consistency in federal policy for rewarding federal inventors.

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## Social Services

### **Child Welfare: Monitoring Out-of-State Placements**

GAO/HRD-91-107BR, Sept. 3 (30 pages).

GAO studied the monitoring of children in state care after they had been placed into residential group care facilities outside their home states. These included abused and neglected children placed by public welfare agencies, handicapped children placed under the auspices of special education agencies, and children placed by mental health agencies. Because no nationwide data exists on such monitoring, GAO did in-depth case studies of 42 children who were placed in two out-of-state residential group care facilities by 15 different states. This briefing report discusses the nature and frequency of monitoring by state and local officials in the cases GAO studied.

### **Foster Care: Children's Experience Linked to Various Factors; Better Data Needed**

GAO/HRD-91-64, Sept. 11 (65 pages).

In examining children's foster care experiences, GAO identified several factors related to length of stay and return to care after an initial family reunification that warrant further study and discussion in future policy debates. Of children reunited with their families in 1986, up to 27 percent later reentered foster care. The median length of stay for children entering or leaving foster care in 1986 in most states and localities reviewed varied from eight to 19 months. Children whose initial stay in foster care was under a year, however, were more likely to reenter foster care than were those whose initial stays were longer. Moreover, children placed in institutions in the states reviewed generally stayed in foster care longer than those placed in foster family homes. If a similar analysis of children's foster care experiences were done today, it might show even longer periods of care and increased reentry. Since 1986 social conditions affecting children and their families, such as parental substance abuse, have worsened. More families have severe problems, treatment services for children are more difficult to obtain, and caseworkers face the threat of legal liability if an abused child is returned home and abuse recurs. State child welfare officials cite these factors in reporting increasing lengths of stay for children. While Congress may want more current, wide-ranging, or comprehensive analyses to amend federal foster care policy, such analyses would be hard to

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obtain without a national foster care information system. State information systems tailored to a national system have not been developed. Moreover, states are concerned that the proposed methods for financing these systems will divert funds from providing foster care services and may not provide adequate resources to build the systems.

**Welfare to Work:  
States Begin JOBS, but Fiscal and Other Problems May Impede Their Progress**

GAO/IIRD-91-106, Sept. 27 (60 pages).

As part of sweeping changes to the nation's welfare program, the Jobs Opportunities and Basic Skills Training (JOBS) Program requires states to provide parents and teens receiving public assistance with the education, training, work experience, and support services they need to become self-sufficient. GAO found that states have made significant progress in establishing their JOBS programs but are experiencing problems that could reduce the program's potential and slow progress in helping people avoid long-term welfare dependency. These problems include shortages of such services as basic/remedial education and transportation. The Department of Health and Human Services has provided and continues to provide states with technical assistance to help them with these difficulties. However, service and funding shortages and poor economic conditions could decrease states' abilities to operate JOBS and could slow their progress.

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**Tax Policy and  
Administration**

**Tax Administration:  
Administrative Aspects of the Health Insurance Tax Credit**

GAO/GGD-91-110FS, Sept. 12 (nine pages).

The recently enacted health insurance tax credit is provided to low-income wage earners who contribute to a health insurance policy that includes coverage for at least one qualifying child. This fact sheet provides a basic description of how the tax credit will work administratively. GAO describes in detail the conditions of eligibility for the credit, how the credit is calculated, and how IRS intends to administer the credit.

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**Tax Systems Modernization:  
Private Sector Modernization Efforts IRS May Want to Examine**

GAO/GGD-91-133FS, Sept. 24 (16 pages).

In earlier testimony (GAO/T-GGD-91-54, July 9, 1991), GAO indicated that the pending modernization of IRS' tax systems offered an opportunity to reorganize the way IRS does business, including how it processes returns and deals with taxpayers. This fact sheet describes the experiences of 26 private companies that have implemented computer modernization and/or undergone organizational change. GAO believes that some of these cases may be instructive to IRS as it develops and implements its Tax System Modernization project.

**Tax Administration:  
Opportunities to Improve IRS Correspondence on Withholding Allowances**

GAO/GGD-91-122, Sept. 27 (seven pages).

During its work on the 1991 tax return filing season, GAO obtained copies of correspondence the Internal Revenue Service sends taxpayers when it questions the number of withholding allowances being claimed on Form W-4 or the taxpayer's claim of exemption from withholding. This report makes several suggestions on how these letters could be clarified.

**Tax Policy:  
Internal Revenue Code Provisions Related to Tax-Exempt Bonds**

GAO/GGD-91-124FS, Sept. 27 (36 pages).

In this report, GAO discusses the tax-exempt bond provisions contained in the Internal Revenue Code. Legislation has been introduced in Congress aimed at simplifying the tax-exempt bond laws. This fact sheet provides a quick reference to the relevant tax code provisions that IRS is responsible for administering to ensure that bonds qualify for tax-exempt status. It also provides a brief perspective on how the use of tax-exempt bonds has changed over the years and how Congress has reacted to these changes by adding legislative restrictions.

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**Tax Administration:  
Opportunities to Increase Revenue Before Expiration of the Statutory Collection Period**

GAO/GGD-91-89, Sept. 30 (36 pages).

This report addresses IRS accounts receivable that are written off because the collection statute of limitations has expired. GAO provides information on (1) the amount of the accounts receivable that has been or possibly will be written off and (2) preliminary data on the potential impact of the November 1990 extension of the collection period from six to 10 years. GAO also discusses IRS' procedures for managing accounts receivable that are nearing the end of their collection period.

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**Testimony**

Simplifying Payroll Tax Deposit Rules, by Paul L. Posner, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Taxation, Senate Committee on Finance. GAO/T-GGD-91-65, Sept. 12 (14 pages).

GAO testified on H.R. 2775 and S. 1610, proposed legislation that would simplify the payroll tax deposit system. Deposit rules are hard to understand and comply with because employers can be subject to more than one deposit rule during a given tax period; up to one-third of the nation's employers are penalized each year for failure to follow these complex rules. GAO believes that changes to the deposit rules are urgently needed and that both proposed simplification measures will make it easier for employers to understand and comply with their payroll tax responsibilities. The proposals will also reduce the number of deposits that some employers will have to make. In GAO's view, however, S. 1610 would be the least burdensome to smaller employers.

The New Earned Income Credit Form Is Complex and May Not Be Needed, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs. GAO/T-GGD-91-68, Sept. 17 (14 pages).

Last year, about 12 million low-income households with children received over \$6 billion in earned income tax credit payments. A 1990 law requires that, to claim the credit, taxpayers must include the name of each qualifying child, along with the child's social security number, on a separate schedule. GAO testified that, even with the extra effort IRS

put into developing such a form, it is still too complex and will confuse some taxpayers. The complexity could dissuade some eligible taxpayers from completing the form and getting the credit. Under prior rules, IRS could have calculated the credit for these taxpayers using information reported on the tax return. GAO believes that, for most eligible taxpayers, the information now on the tax return is enough for IRS to determine eligibility. As a result, GAO believes that a separate form is unnecessary.

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## Transportation

### **Transportation Infrastructure: Preserving the Nation's Investment in the Interstate Highway System**

GAO/RCED-91-147, Aug. 2 (54 pages).

During the past 33 years, the construction of the Interstate Highway System has been a main priority of the federal aid highway program. Yet the Federal Highway Administration reports that more than 40 percent of all Interstate pavement today is in fair or poor condition. The outlook for preserving the Interstate is bleak because (1) the Department of Transportation projects that Interstate conditions are not expected to improve even if funding levels for the Interstate 4R program are substantially increased, (2) Interstate capacity-enhancement needs will increasingly compete with preservation needs, and (3) DOT has not established goals for minimally acceptable Interstate pavement conditions or a strategy for achieving these goals. In addition, state maintenance practices and Federal Highway Administration oversight are not ensuring adequate maintenance of the Interstate Highway System. While many factors affect Interstate conditions, GAO discovered significant maintenance backlogs that could affect the integrity of Interstate roadways and structures and the safety of users in four of seven states reviewed.

### **Air Traffic Control: FAA Can Better Forecast and Prevent Equipment Failures**

GAO/RCED-91-179, Aug. 2 (14 pages).

Federal Aviation Administration efforts to modernize the air traffic control system have been plagued with delays, and the agency has had to make do with antiquated equipment that is increasingly prone to failure

as it ages. Yet FAA has not done a comprehensive assessment of the reliability of its air traffic equipment at its en-route centers. Consequently, managers do not have the complete picture they need to adequately assess the gravity of problems that maintenance personnel and controllers are experiencing with the equipment. GAO believes that FAA should make use of available information on problems with equipment that supports critical air traffic control functions. FAA could better forecast how long it will be able to sustain air traffic control systems at a high level of performance if it measured the reliability of its equipment. In addition, by using computerized equipment maintenance data in the national computerized Maintenance Management System, FAA can make decisions on the basis of a more thorough measurement of equipment performance. In order to use maintenance data to their fullest extent, however, FAA needs to address several data base problems in the Maintenance Management System by refining data definitions and reporting guidelines.

**Air Traffic Control:  
Voice Communications System Challenges Continue**

GAO/IMTEC-91-49, Aug. 5 (nine pages).

After nearly five years of development, neither contractor (AT&T and Harris Corporation) for the Federal Aviation Administration's voice switching and control system has been able to successfully produce a prototype system that meets FAA's requirements. As a result, total estimated project costs, originally estimated at \$258 million in 1982, have soared to \$1.5 billion, and implementation of the system at the first operational site has been delayed from 1986 to 1994. Due to difficulties experienced by the contractors, FAA recently restructured the acquisition of the system by extending the prototype contracts to December 1991 and exploring the development of alternative interim voice communications systems that could work with the new advanced automation system workstations. FAA's revised acquisition strategy is a positive step toward completing important testing at the contractors' facilities and avoiding delays in advanced automation system workstation implementation. However, demanding system requirements present formidable challenges to the contractors in building prototypes that will pass upcoming testing.

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**Air Travel:  
Passengers Could Be Better Informed of Their Rights**

GAO/RCED-91-156, Aug. 12 (24 pages).

GAO examined the rights of airline passengers when they encounter problems with lost or damaged baggage; compensation to passengers when they are “bumped” (denied boarding) because of overbooked flights; and services provided to passengers when a flight is delayed, cancelled, or diverted. Department of Transportation regulations spell out passenger rights to compensation for lost baggage and denied boarding. For other concerns—such as services to passengers when flights are delayed, cancelled, or diverted—DOT regulations are silent. Some airlines’ contracts have detailed rules on services to be provided to passengers whose flights are delayed, while others are vague or silent on the subject. GAO found no support among the airlines, DOT officials, or consumer groups for greater standardization of these services. DOT has published a pamphlet to better inform passengers about their rights, but the booklet needs to be updated and made more widely available. DOT’s complaint data base has shown a decline in consumer complaints filed against U.S. airlines, from a high of about 41,000 in 1987 to about 7,700 in 1990. DOT officials attribute the drop to service improvements (resulting from DOT publicizing on-time performance data, DOT enforcement activity, and service competition among carriers) and to more realistic customer expectations. DOT publishes a monthly report ranking airlines by their totals of reported customer complaints, flight delays, cases of mishandled luggage, and denied boards due to overbookings. Airline officials said that they pay a great deal of attention to this monthly report and that they are placing more emphasis on customer relations.

**New Denver Airport:  
Safety, Construction, Capacity, and Financing Considerations**

GAO/RCED-91-240, Sept. 17 (61 pages).

The City of Denver is building a new airport, scheduled to open in 1993, to replace its existing airport—Stapleton International. The Federal Aviation Administration plans to provide about \$615 million of the nearly \$4 billion needed to build the new airport, with most of the rest being financed by revenue bonds being issued by the Denver Airport System. GAO looked at whether (1) the new airport site is more prone to adverse weather than Stapleton and therefore to greater flight safety

hazards; (2) adequate design and construction methods are being used to protect airport runways and other structures from soils that expand when wet; (3) the new airport would reduce air traffic delays at Denver or systemwide; and (4) the project is financially viable, given current budgeted costs and revenue projections. The financial viability of the new airport is the most problematic of the four issues raised. Several uncertainties, including the future level of United Airlines flight operations at Denver and the success of the plan to bring Continental Airlines out of bankruptcy, will affect the financial viability of the new airport. Although uncertainties exist, GAO concludes that the City's financial assumptions for the new airport are reasonable and that it is improbable that the airport will be unable to generate enough revenue to meet operating expenses and service its debt. Nonetheless, the possibility of default always exists and would become more likely if cost overruns, schedule slippages, the loss of a hubbing carrier, and traffic shortfalls were to occur.

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## Testimony

Airline Competition: Industry Competitive and Financial Problems, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-91-89, Sept. 11 (22 pages).

GAO testified that the most appropriate approach to resolving the competitive and financial problems of the airline industry is to focus on long-term strategies to enhance competition. While government action by itself will not preserve a competitive airline industry, it can provide the structural preconditions for effective competition: equal access to the nation's publicly financed airports, a level playing field for marketing airline services, and better access to domestic and international markets. The government's interest in the survival of threatened airlines involves ensuring that enough airlines exist to provide effective competition. The primary goal of federal competition policy should be to protect competition, not to protect specific competitors. However, if additional airlines cease operation, the decline in the number of competing airlines will probably harm competition. It has been suggested that the survival of four or five airlines would be enough to achieve effective competition. This would be true if several airlines served most routes, but this is often not true. On routes with less competition, the loss of a single airline could have a serious adverse effect.

Aging Aircraft Maintenance: Additional FAA Oversight Needed, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-91-84, Sept. 17 (14 pages).

Because of the public's concern about aging aircraft and the safety of air travel, the House of Representatives passed the Aging Aircraft Safety Act of 1977 (H.R. 172), which would require an FAA safety inspection and maintenance records review of all airliners over 15 years old, and FAA issued new structural and corrosion rules. GAO testified that additional FAA oversight of the airline industry is needed during the next few years. This oversight would help ensure that reduced air travel demand and some airlines' financial troubles do not jeopardize aviation safety and the industry's ability to comply with FAA's deadlines for completing the work. Although FAA could ground aircraft that do not meet the deadlines, this could affect some air carriers' financial survival. Other options exist, including a push to comply fully by the deadline, but they need to be explored and developed on the basis of FAA's full understanding of the condition of the U.S. airline fleet.

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U.S. Communications Policy—Issues for the 1990s Results of a GAO Rountable and Panelists' Remarks GAO/IMTEC-91-52A and GAO/IMTEC-91-52B, Sept 1991.

**AGRICULTURE AND FOOD**

U.S. Department of Agriculture Revitalizing Structure, Systems, and Strategies GAO/RCED-91-168, Sept 3

Nutrition Monitoring Mismanagement of Nutrition Survey Has Resulted in Questionable Data GAO/RCED-91-117, July 26.

Nutrition Monitoring. USDA Charged for Work Never Done Under Contract for Nutrition Survey GAO/Osi-91-12, Sept 6

USDA Commodity Forecasts: Inaccuracies Found May Lead to Underestimates of Budget Outlays GAO/PEMD-91-24, Aug 13

International Food Safety: Comparison of U.S. And Codex Pesticide Standards GAO/PEMD-91-22, Aug. 22

Federal Agricultural Mortgage Corporation: Secondary Market Development Slow and Future Uncertain GAO/RCED-91-181, Sept 10

Food Assistance: Information on the Private Sponsors in the 1990 Summer Food Service Program GAO/RCED-91-224BR, Sept 24

**BUDGET AND SPENDING**

Impoundments: Comments on Proposed Impoundments of Funds for Defense Research and Refugee Assistance GAO/OGC-91-13, Sept 11

**Testimony**

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