



Reports and Testimony: October 1991

Highlights

Highway Safety

The big increase in the proportion of lighter, more fuel efficient cars on America's roadways since the 1970s has not increased the total accident fatality rate; the drop in the number of heavy cars has itself reduced the danger to occupants of other vehicles. Page 55.

Pesticides

The Environmental Protection Agency's inability to warn the public of health and environmental dangers in the wake of July's pesticide spill in the Sacramento River reflects years of agency trouble with identifying, reviewing, and tracking studies by manufacturers seeking to license their pesticide products. Page 15.

Student Loans

Up to \$1.47 billion a year could be saved under a proposal that would reshape guaranteed student loan programs by eliminating the role of commercial lenders and having the federal government make direct loans to students. Page 7.

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Contents

Reports and Testimony: October 1991	Agriculture and Food	2
	Budget and Spending	5
	Business, Industry, and Consumers	6
	Civil Rights	7
	Education	7
	Employment	8
	Energy	9
	Environmental Protection	12
	Financial Institutions	16
	Financial Management	19
	Government Operations	21
	Health	24
	Income Security	30
	Information Management	30
	International Affairs	35
	Justice and Law Enforcement	37
	National Defense, Security, and Military Procurement	38
	Natural Resources	49
	Science, Space, and Technology	52
	Social Services	53
Tax Policy and Administration	53	
Transportation	55	

Reports and Testimony: October 1991

Agriculture and Food

Packers and Stockyards Administration: Oversight of Livestock Market Competitiveness Needs to Be Enhanced

GAO/RCED-92-36, Oct. 16 (38 pages).

At the turn of the century, a handful of firms dominated the U.S. meat-packing industry, which was characterized by anticompetitive and other unfair business practices. In response, Congress created the Packers and Stockyards Administration (P&SA)—an Agriculture Department agency responsible for overseeing industry operations—and concentration in the meat-packing industry diminished. Mergers and acquisitions in recent decades have made the industry more concentrated than ever before, however, and four firms today account for about 70 percent of the steer and heifer slaughter. This situation underscores the need for effective monitoring of livestock markets to ensure that anticompetitive practices are not being used to cut prices paid to producers to below the level that would be set in a competitive market. Yet P&SA monitoring practices have not kept pace with industry changes. P&SA has not defined regional livestock procurement markets, which hinders its ability to monitor those markets for anticompetitive behavior. Although P&SA collects data on individual firms to develop national concentration statistics and to conduct special studies and investigations, such an approach is no longer sufficient for monitoring competitiveness. Because livestock procurement is a regional activity, and not a national one, local concentration could be higher than P&SA's national concentration data indicate. As part of its efforts to prevent unfair practices in the marketing of livestock, P&SA also enforces certain trade practice regulations. The agency agrees that it needs to evaluate the adequacy of all its implementing regulations, and it plans to initiate such a project.

Agriculture: Generic Promotion Program for Fruits and Vegetables

GAO/RCED-92-15, Oct. 17 (12 pages).

Generic promotion refers to the promotion of products without any reference to a particular brand name. Through legislated programs, the federal government has been involved with the generic promotion of agricultural commodities, such as beef and milk, for more than 50 years. While promotion programs exist for individual fresh fruits and vegetables, no single program exists to collectively promote all fruits and vegetables. Such a program, which would supplement existing individual

commodity programs, would pool funds from the individual commodity producers to increase consumer demand for fruits and vegetables generally. To better understand the issue and potential producer support for a promotion program for all fresh fruits and vegetables, GAO sought the views of several large producers and producer associations. Generally, they object to a generic promotion effort for all fresh fruits and vegetables, although they are interested in some aspects of such a program. All of those surveyed indicated that a producer-financed generic promotion program would be unacceptable to them because its benefits would not be worth the fees that commodity producers would have to pay to fund the program.

Testimony

Farmers Home Administration: Farmer Program Assistance to Beginning Farmers, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-92-4, Oct. 8 (nine pages).

This testimony is based primarily on two earlier GAO reports that concluded that most FmHA loans do not go to beginning farmers and that the impact of the 1990 Farm Bill, which adds beginning farmers to those given preference in purchasing FmHA properties, may be limited because (1) such properties are not always appropriate for them and (2) other individuals, such as former owners, have preference in purchasing properties. GAO testified that Congress, in its deliberations on ways to assist beginning farmers, needs to consider not only how to help people start farming but also how to help them successfully graduate to commercial credit sources. GAO is concerned that beginning farmers are likely to get on the same loan-making and loan-servicing treadmill that many of FmHA's clients have been on for many years. Congress also needs to consider the implications of how a beginning farmer is defined from a federal assistance standpoint. This will determine the number of people qualifying for such targeted federal aid. FmHA has proposed a definition allowing individuals who have farmed for up to 10 years to be considered "beginning farmers."

Department of Agriculture: Mismanagement of Nationwide Food Consumption Survey, by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition and before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-RCED-92-7, Oct. 16 (four pages).

The Department of Agriculture's (USDA) decennial Nationwide Food Consumption Survey is an important tool in evaluating the nutritional status of Americans. Government, academia, and industry all depend on the survey for key information. The most recent survey, in 1987-88, was planned and supervised by USDA's Human Nutrition Information Service and was carried out by a contractor. Referring to the findings of an earlier report (GAO/RCED-91-117, July 26, 1991), GAO testified that the survey was seriously flawed. Methodological problems, deviations from the survey's original design, and lax controls over the collection and processing of the survey data all raise doubts about the quality and the usefulness of the survey's results. In addition, USDA's poor handling of the contract contributed to cost overruns, a two-year delay in completing the survey, and the contractor's failure to complete important contract tasks.

Food Safety and Quality: Inspection of Canadian Meat Imports Under USDA's Streamlined Procedures, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce. GAO/T-RCED-92-18, Oct. 31 (21 pages).

Inspection of Canadian meat imports became controversial after USDA adopted "streamlined" procedures for inspecting Canadian meat and poultry imports and later proposed an "open border" test that would end all inspections. While USDA withdrew the open border proposal, the streamlined procedures remain. The assumption that Canadian meat is wholesome and that consumers are protected rests primarily on a USDA determination that Canada's system is equivalent to the U.S. inspection system. However, GAO found that USDA's Canadian equivalency review was outdated and poorly documented such that GAO could not independently review the basis for USDA's determination. The main issue raised by the streamlined procedures is whether the procedures themselves instill consumer confidence. The Canadian inspector who selects the samples is part of the Canadian inspection system that USDA import inspectors are evaluating. That the person being evaluated selects his or her own sample creates the appearance that the sampling process lacks independence and objectivity. The streamlined procedures, as currently designed, will continue to be a source of allegations, controversy, and criticism and may erode consumer confidence in the system.

Budget and Spending

Impoundments: Unreported Deferral of Department of Veterans Affairs' Major Construction Funds

GAO/OGC-91-12, Oct. 2 (four pages).

This letter reports a deferral of budget authority in the Department of Veterans Affairs (VA) major construction appropriation that should have been, but was not, reported to Congress under the Impoundment Control Act of 1974. VA intends to build a spinal cord injury facility at its Medical Center in Dallas, Texas. However, VA has decided to extend the working drawing award and construction timeframes of the third phase (clinical renovation) of the facility. The rationale for the delay is two-fold. First, dividing the project into phases spreads out the facilities financing. Second, there is no sense in designing phase three now if no guarantee exists that VA will be able to obtain enough appropriations in the future to proceed with the actual construction. The Impoundment Control Act permits deferrals only to provide for contingencies, achieve savings, or as specifically provided by law. VA's reasons for delaying the final phase of the working drawing are impermissible under the act's narrow criteria, and GAO concludes that the deferral is unauthorized.

Impoundments: Release of Funds Proposed for Impoundment but Not Approved by Congress

GAO/OGC-92-1, Oct. 10 (two pages).

This letter reports on the status of budget authority that the President proposed for rescission in his fifth special impoundment message for fiscal year 1991, dated June 28, but for which Congress has not passed a rescission bill as defined under the Impoundment Control Act. All the budget authority withheld under the rescission proposals submitted in the fifth special message has been released by the Office of Management and Budget for obligation.

Impoundments: Release of Withheld Funds for Defense Research and Emergency Refugee Assistance

GAO/OGC-92-2, Oct. 28 (two pages).

This letter reports on the status of budget authority that was the President proposed for rescission in his sixth special impoundment message for fiscal year 1991, dated July 24, but for which Congress has not passed a rescission bill as defined under the Impoundment Control Act. All the budget authority withheld under the rescission has been released by the Office of Management and Budget for obligation.

Business, Industry, and Consumers

Testimony

Federal Research: Small Business Innovation Research Program Shows Success But Could Be Strengthened, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the House Committee on Small Business. GAO/T-RCED-92-3, Oct. 3 (16 pages).

The Small Business Innovation Development Act of 1982 stressed the benefits of technological innovation and the ability of small businesses to transform research and development results into new products. GAO testified on the commercial trends (primarily sales) of products in the final phase of the Small Business Innovation Research program, which was authorized by the act. This phase of the program is intended to pursue commercial or government applications of program technology. GAO testified that although many program projects have not yet had enough time to reach their full commercial potential, the program is showing success overall. As of July 1991, the program had generated more than \$1.1 billion in sales and additional funding for further technical development. In addition, most sales and additional development funding came from the private sector, suggesting that R&D projects funded by the program are achieving a key goal—increasing private sector commercialization. The extent of commercialization varies widely by agency, however, and could be enhanced if more emphasis, particularly by the Defense Department, were placed on increasing private-sector commercialization. This, along with attention to other issues involving company participation in the final phase of the program, could further strengthen the program.

Civil Rights

Testimony

Federal Affirmative Action: Status of Women and Minority Representation in the Federal Workforce, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-92-2, Oct. 23 (43 pages).

A basic personnel policy, set out by law, is to create a competent, honest, and productive federal workforce that reflects the nation's diverse population. While improvements have occurred, the federal civilian workforce still does not reflect the nation's diversity; white women and Hispanics in the federal workforce continue to lag behind their representation in the nation's civilian workforce. This testimony focuses on the representation status of women and minorities in the federal workforce, particularly at the upper grade levels and in jobs that typically lead to those grades. GAO also discusses the need (1) to improve the statistical criteria used to measure women and minority representation and (2) for more emphasis on collecting and/or analyzing recruiting, hiring, training and development, promotion, and separation data to better identify barriers to women and minorities.

Education

Testimony

Direct Student Loans Could Save Money and Simplify Program Administration, by Franklin Frazier, Director of Education and Employment Issues, before the Senate Committee on Labor and Human Resources. GAO/T-HRD-92-8, Oct. 29 (eight pages).

Can the government save money by replacing Stafford student loans with direct loans under a program proposed by the National Association of State Universities and Land Grant Colleges? This testimony discusses a recent report (GAO/HRD-91-144BR, Sept. 27, 1991) that compared the relative cost of guaranteed and direct student loans. The Stafford Student Loan Program, also known as the guaranteed student loan programs, constitutes the largest form of financial assistance to students seeking postsecondary education. Administrative complexity, high costs, and the lack of accountability in the program have spurred the search for

alternative loan delivery systems. GAO testified on (1) the potential federal savings associated with substituting Stafford loans with direct loans and (2) the effect that a direct loan program could have on the administrative functions of the Department of Education and postsecondary educational institutions.

Employment

Job Training Partnership Act: Racial and Gender Disparities in Services

GAO/HRD-91-148, Sept. 20 (40 pages).

Despite the large representation of women and minorities in the Job Training Partnership Act program, previous reports by GAO and others have pinpointed disparities in the services provided to some women and minorities. Generally, these reports found that these individuals were either less likely to receive occupational training or that the training they received was likely to be for lower wage jobs. This report addresses the extent to which disparities occur in the services provided to women and minorities; factors within the operation of local projects that contribute to such disparities; and efforts by states and the Department of Labor to monitor the services provided to various demographic groups.

Testimony

Managing Workplace Safety and Health in the Petrochemical Industry, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-92-1, Oct. 2 (eight pages).

GAO testified on its own work as well as its review of the John Gray Institute study of safety and health in the petrochemical industry. Both GAO and the Institute believe that the collection of data on injuries and illnesses and their causes needs to be improved and that labor-management safety and health committees should be required at all worksites. Combining injury and illness statistics for direct-hire and contract employees on a worksite basis would enhance the Occupational Safety and Health Administration's (OSHA) enforcement effort in two ways. First, it would provide a better picture of problems in those industries in which a large proportion of work is done by contractors. Second, if employers reported these combined statistics for individual worksites to OSHA, the agency could better target its inspections to hazardous worksites, not just to hazardous industries. Increasing the active involvement of employers and workers through committees, rather than relying on

OSHA's enforcement efforts alone, also would improve workplace health and safety. A previous report (GAO/HRD-90-66BR) identified options for increasing employer and worker involvement, including requiring joint labor-management safety and health committees.

Energy

Nuclear Health and Safety: Workers' Compensation Rights Protected at Hanford

GAO/RCED-91-203, Sept. 10 (10 pages).

Since 1943 the Washington State Department of Labor and Industries has had a contract with the Department of Energy (DOE) or its predecessor to administer a self-insured workers' compensation/pension program for contractor employees at DOE's Hanford Site near Richland, Washington. This review stemmed from concerns that the contract's implementation could have prevented Hanford employees from filing workers' compensation claims for radiation-related injuries or occupational diseases resulting from their employment at the Hanford Site. GAO found that the procedures since the late 1950s for filing claims contain sufficient checks and balances to ensure they cannot be blocked by DOE. However, this assurance is lacking for claims initiated between 1943, when Hanford was founded, and the late 1950s. Claim-filing procedures in effect at that time required claims to be submitted to the state through the employer. However, no evidence was found that DOE did not forward employee claims to the state before the procedural change, nor were DOE, state officials, or employee union representatives aware of any Hanford employee being denied the right to file a workers' compensation claim.

Nuclear Waste: Operation of Monitored Retrievable Storage Facility Is Unlikely by 1988

GAO/RCED-91-194, Sept. 24 (52 pages).

Radioactive waste at U.S. nuclear power plants is mounting at a rate of more than 2,000 metric tons a years. Yet the Department of Energy (DOE) does not expect a geologic repository to be available before 2010. In response to concerns about how best to store the waste until a repository is available, GAO reviewed the alternatives of continued storage at utilities' reactor sites or transferring waste to a monitored retrievable storage facility. This report assesses the (1) likelihood of a monitored

retrievable storage facility operating by 1998, (2) legal implications if DOE is unable to take delivery of wastes in 1998, (3) propriety of using the Nuclear Waste Fund—from which DOE's waste program costs are paid—to pay utilities for on-site storage capacity added after 1998, (4) the ability of utilities to store their waste on-site until a repository is operating, and (5) relative costs and safety of the two storage alternatives.

**Energy Management:
DOE Actions to Improve Oversight of Contractors' Subcontracting Practices**

GAO/RCED-92-28, Oct. 7 (12 pages).

The Department of Energy's Contractor Purchasing System Review Program oversees the extensive subcontracting activities of DOE's management and operating contractors. This report describes the subcontracting deficiencies occurring at DOE, identifies shortcomings in the program, and discusses the corrective actions that DOE has committed to take in response to GAO findings. Management and operating subcontracts, totaling more than \$5 billion in 1990, are vulnerable to waste, fraud, and abuse—a fact that is reflected in DOE's own reviews. Poor procurement practices of contractors, coupled with inadequate DOE oversight, have led to excessive subcontract costs for the government. DOE's reviews have shown that management and operating contractors often do not ensure that subcontract prices are fair and reasonable and that contractors are also restricting competition by inappropriately using sole-source purchases.

**Energy Management:
Contract Audit Problems Create the Potential for Fraud, Waste, and Abuse**

GAO/RCED-92-41, Oct. 11 (48 pages).

Is the Department of Energy adequately monitoring and overseeing its contracting process by performing contract audits, and what is the impact or potential impact to the government when they are not performed? Even though DOE contracted out about \$17.6 billion in fiscal year 1990 for goods and services, no assurance exists that oversight and control of contract expenditures, through contract auditing, will deter and detect potential fraud, waste, and abuse. Beginning in April 1990, DOE's Office of Inspector General (OIG) reported that DOE managers lack

adequate OIG assurance that the management and operating contractors are operating economically, efficiently, and in the government's best interest. The assurance is lacking because the OIG's cyclical audit coverage of DOE's largest management and operating contractors has been incomplete due to staffing and resource limitations. In addition, because nonmanagement and operating contracts can go unaudited for many years, DOE does not know whether it paid a fair and reasonable price for such contracts or whether the costs claimed were accurate and allowable. GAO's review revealed many instances involving millions of dollars in which the government was potentially overbilled, or the amounts paid or claimed were questionable. Unallowable costs claimed included such items as alcoholic beverages, unauthorized spouse travel, and registration for golf tournaments.

Testimony

Electricity Supply: Regulation of the Changing Electric Utility Industry Under the Public Utility Holding Company Act, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce. GAO/T-RCED-92-2, Oct. 3 (12 pages).

This testimony focuses on the Securities and Exchange Commission's (SEC) administration of the Public Utility Holding Company Act of 1935, intended to protect the public, investors, and consumers from abuses associated with the control of electric and gas utility companies through the holding company structure. These abuses include subjecting subsidiary utilities to excessive charges for services, construction work, and materials; frustrating effective state regulation through the holding company structure; and overloading subsidiary utilities with debt to prevent voluntary rate reductions. GAO discusses (1) industry changes during the past decade involving electric utility holding companies; (2) SEC's regulatory response to such changes; and (3) the relationship between SEC, the Federal Energy Regulatory Commission, and states in protecting consumer and investor interests in light of these changes.

Comments on Proposed Legislation to Restructure DOE's Uranium Enrichment Program, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Energy and the Environment, House Committee on Interior and Insular Affairs. GAO/T-RCED-92-14, Oct. 29 (16 pages).

GAO testified on legislative proposals that address the future of DOE's uranium enrichment program, established to promote national energy

security goals while recovering the government's costs. Each of the three bills and a proposal by Representative Sharp would help establish clear objectives for the enrichment program and allow the new corporation to operate more efficiently than does DOE's current program. The proposals would also help resolve several long-term issues that challenge the programs' future, including the need to pay billions of dollars for environmental cleanup and decommissioning at the same time that competition is expected to increase. In addition, GAO believes that all the proposals would be strengthened by including a \$3 billion cost recovery goal, rather than forgiving all past recovered costs or relying on unspecified dividends, uncertain stock sales, or undefined rent or royalty payments that may not materialize.

Environmental Protection

Lawn Care Pesticides: EPA Needs to Assess State Notification Programs

GAO/RCED-91-208, Sept. 25 (15 pages).

Although no federal requirements exist, about half the states require lawn care companies to provide some kind of notification when applying pesticides to residential lawns. The main notification methods include direct notification of customers, direct notification of neighbors upon request, and the posting of warning signs on treated lawns. In addition, several states maintain lists of people whose health may be affected by pesticide use and who wish to be informed when pesticides are applied near their homes. Limited information is available on the effectiveness of such notification programs. Because the most successful features of these programs are unknown, EPA should assess state notification programs and provide this information to all states—thus helping those states interested in modifying existing programs or those states about to begin notification programs.

Hazardous Waste: Incinerator Operating Regulations and Related Air Emission Standards

GAO/RCED-92-21, Oct. 16 (21 pages).

This report provides information on the differences between hazardous waste incinerators that have received permits under the Resource Conservation and Recovery Act of 1976 and those that are classified as

having interim status—that is, they are allowed to operated for a limited period of time without a permit. The regulations for permitted incinerators are more comprehensive than the related regulations for interim status incinerators. Incinerators that follow the permit regulations are in a much better position to prevent and eliminate factors affecting the environment and human health than are those incinerators subject to interim status regulations. Likewise, the Clean Air Act Amendments of 1990 provide for more comprehensive coverage of airborne pollutants at incinerators than past legislation. As a result, as more incinerators become subject to these requirements, facilities should be in a better position to provide the desired protection.

**Superfund:
EPA Has Not Corrected Long-Standing Contract Management
Problems**

GAO/RCED-92-45, Oct. 24 (50 pages).

GAO has designated the Superfund—a \$15 billion effort to clean up the nation's most hazardous waste sites—as one of 16 federal programs most vulnerable to waste, fraud, and abuse. The program is especially at risk because of its large size and its extensive use of cost-reimbursable contracts potentially worth almost \$10 billion. Despite years of GAO's reporting on deficiencies in EPA's Superfund contract management, EPA has not adequately addressed most of GAO's recommendations. Controls over contractor costs, such as critical reviews of contractor cost proposals and invoices, are still not being fully used. In addition, contractor program management costs are excessive because EPA hired more contractors than it needed and then moved slowly to cut the excess capacity. Superfund's exposure to indemnification losses is still unlimited because regulations to limit coverage have yet to be resolved. Moreover, Superfund remains vulnerable to contractor conflicts of interest because EPA contracting officials still need better guidance, and field checks of contractors' compliance with conflict-of-interest rules have not yet been done.

Testimony

Water Pollution: Observations on EPA's Efforts to Clean Up the Great Lakes, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-RCED-92-1, Oct. 4 (17 pages).

More than 45 million Americans and Canadians rely on the Great Lakes for many uses, including drinking water. However, the water quality of the Great Lakes and their tributaries has deteriorated over the years because of industrial development, urbanization, and agricultural activities. The National Pollutant Discharge Elimination System program—the program that regulates discharges into surface waters—in the Great Lakes is faced with many of the same compliance and enforcement problems found in prior GAO reviews: serious and long-standing violations of permit discharge limits, weak and sporadic enforcement against violators, and inadequate EPA oversight of states' enforcement activities. Although the program places limits on discharges of some toxic and other harmful pollutants, it is not designed to eliminate these discharges totally. While EPA has several efforts underway to implement the U.S./Canadian Great Lakes agreement, progress has been slow because of technical, organizational, and resource problems.

Coast Guard: Oil Spills Continue Despite Waterfront Facility Inspection Program, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Oversight and Investigations and before the Subcommittee on Coast Guard and Navigation, House Committee on Merchant Marine and Fisheries. GAO/T-RCED-92-12, Oct. 24 (16 pages).

GAO testified that water pollution by oil remains significant, and non-compliance with federal regulations to prevent oil pollution continues to be great in the four ports GAO visited. Additionally, the impact of the Coast Guard's efforts to reduce oil spill is unknown because the agency does not compile and analyze inspection and spill data needed to make this determination. Further, the Coast Guard has not been inspecting portions of pipes that transport oil between docks and storage tanks. Coast Guard officials now acknowledge this responsibility.

Superfund: Issues That Need to Be Addressed Before the Program's Next Reauthorization, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-92-15, Oct. 29 (14 pages).

Superfund has helped alleviate emergency conditions at hazardous waste sites and—through its enforcement efforts—has convinced many responsible parties to meet their obligations to help restore contaminated areas. Potential Superfund liability may have also made handlers of hazardous substances more careful about waste disposal. However, despite a large investment of resources, Superfund has so far achieved

little of its primary purpose: the permanent cleanup of major hazardous waste sites. GAO testified that in the next few years before Superfund is reauthorized, it is important to look for solutions to several issues—streamlining the cleanup process, better controlling costs, assessing the effectiveness of cleanup actions, and getting a better handle on hazardous waste site risks.

Pesticides: EPA Lacks Assurance That All Adverse Effects Data Have Been Reviewed, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Environment, Energy, and Natural Resources and before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-RCED-92-16, Oct. 30 (14 pages); and

Pesticides: EPA's Information Systems Provide Inadequate Support for Reregistration, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Environment, Energy, and Natural Resources and before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-IMTEC-92-3, Oct. 30 (nine pages).

Earlier this year, a railroad accident resulted in large quantities of the pesticide metam-sodium being spilled into the Sacramento River. This incident is particularly disturbing because four years ago EPA received information from the registrant on the health and environmental effects of metam-sodium and did not review the studies until after the spill occurred. As a result, EPA was not in a position to warn pregnant women and workers near the Sacramento River of possible hazards. These two testimony address three questions: (1) Does EPA know the universe of studies that it has received from registrants under section 6(a)(2) of the Federal Insecticide, Fungicide, and Rodenticide Act? (2) Will EPA's recent initiatives to improve the processing of these studies ensure that all will be identified and reviewed in a timely manner? (3) Does EPA have a tracking system to ensure that these studies are appropriately identified and reviewed? GAO's short answer to all three questions is "no." EPA may not have identified all unreasonable adverse effects studies that it has received from registrants, recent procedural changes will not ensure that all studies submitted to EPA will be reviewed, and EPA's tracking system does not provide the assurance EPA managers need to believe that the job is being done right.

Water Pollution: Ocean Dumping Fee Program Is Meeting Statutory Requirements, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Oceanography, Great Lakes, and Outer Continental Shelf, House Committee on Merchant Marine and Fisheries. GAO/T-RCED-92-5, Oct. 30 (15 pages).

The Ocean Dumping Ban Act of 1988 established dumping fee requirements to encourage and assist sewage authorities that dump sludge to come up with alternative ways of disposing of sludge. This testimony discusses (1) how much sludge was dumped in the ocean in 1989 and 1990, (2) whether the correct fees were collected and deposited in the proper accounts, and (3) what specific activities were funded with the fees collected. Overall, GAO found that the collection and disposition of the fees have been implemented in accordance with the provisions of the act. Sewage authorities, however, need to develop and implement long-term strategies to provide a more permanent solution. These long-range strategies may face potentially difficult challenges, such as local residents' opposition to building incinerators burning sludge. In addition, any plans to market sludge as a soil conditioner, fertilizer, or other beneficial product will have to meet stringent pollution requirements and establish a steady market for such products.

Financial Institutions

Resolution Trust Corporation: Monitoring RTC's Fitness and Integrity Policies for Independent Contractors

GAO/GGD-91-134BR, Sept. 25 (23 pages).

This briefing report examines the Resolution Trust Corporation's (RTC) development and administration of ethics and conflict-of-interest policies as they relate to independent contractors. GAO found that RTC has established policies and procedures to ensure that these contractors meet minimum standards for fitness and integrity. The Contractors' Conflicts Committee, along with the various RTC program ethics offices, has begun establishing operational guidelines by using a case law approach to determine fitness and integrity issues as they apply to independent contractors. A goal of RTC's fitness and integrity policies is to disseminate as widely as possible the bases for decisions. Such dissemination increases the potential for contractor understanding of RTC's operational guidelines. However, the current backlog of cases raises concerns that contractors may not be getting all the information they need

in a timely manner. Also, RTC is now in the process of revising the procedures used to assess fitness and integrity issues before a contract is awarded. RTC needs to formalize these screening policies and procedures.

**Securities and Futures Markets:
Efforts to Detect Intermarket Frontrunning**

GAO/GGD-91-135, Sept. 26 (eight pages).

Intermarket frontrunning is generally defined as an abuse in which market participants improperly trade stocks, stock options, stock index options, or stock index futures on the basis of nonpublic information about upcoming transactions. GAO found that (1) the self-regulatory organizations it reviewed have programs in place designed to detect stock options and stock index frontrunning; (2) the Securities and Exchange Commission (SEC) has reviewed such programs and recommended improvements that are under way; and (3) SEC is studying whether certain intermarket trading abuses, including some types of intermarket frontrunning, are occurring. In addition, the Commodity Futures Trading Commission has begun reviewing its self-regulatory organizations' programs.

**Financial Institutions:
Time Limits on Holding Deposits Generally Met but Move Oversight Needed**

GAO/GGD-91-132, Sept. 30 (74 pages).

In response to concerns that financial institutions were placing exorbitant holds—as long as 14 days—on checks deposited into customers accounts, Congress passed legislation limiting the length of time that financial institutions could hold funds. GAO found that a regulatory and administrative framework has been established through which the Expedited Funds Availability Act of 1987 can be effectively implemented. While financial institutions generally seem to be complying with the funds availability provisions of the act, regulators in the offices GAO visited, except for the Federal Reserve Board, did not adequately assess financial institutions' compliance. For the most part, they did not test financial institutions' check holds, as required, to ensure that the institutions' hold practices were actually consistent with their policies. Moreover, documentation of what examiners did to determine compliance and support their conclusions was often limited or nonexistent. The industry continues to be worried about check fraud as a result of the

act's availability schedules. Yet financial institutions contacted by GAO had not compiled evidence to substantiate such concerns.

**Federal Home Loan Mortgage Corporation:
Abuses in Multifamily Program Increase Exposure to Financial
Losses**

GAO/RCED-92-6, Oct. 7 (41 pages).

Commonly referred to as Freddie Mac, the Federal Home Loan Mortgage Corporation is a federally chartered corporation that buys multifamily (apartment buildings) as well as single-family residential mortgages from primary lenders (seller/servicers) who then usually service the mortgages for Freddie Mac after the sale. Following allegations by a Bronx community group that 35 apartment buildings in the New York borough were overfinanced and allowed to deteriorate, GAO examined whether Freddie Mac (1) accepted overvalued appraisals when it bought the properties, which resulted in overfinancing; (2) had in effect a loan-servicing process in the years after the mortgage purchase that protected it against additional risk; and (3) has new procedures to prevent overfinancing and servicing problems. Because of weak internal controls, Freddie Mac did not detect patterns of inaccurate and incomplete information in the appraisals and reports on the physical and financial condition of the properties that were provided by seller/servicers. Consequently, Freddie Mac overfinanced 27 of the 35 properties by about 20 percent of its total investment in them and increased the chances of fraud and program abuse. As of July 1991, Freddie Mac was foreclosing on seven of the 35 properties, and five others were 90 or more days delinquent in mortgage payments. The internal control weaknesses identified in this report have also been found in other reviews of Freddie Mac's multifamily program nationwide. Freddie Mac has suspended purchases in its major multifamily program and is now developing new program procedures. Purchases will resume when Freddie Mac determines that these procedures are adequate to prevent problems in the future. However, the changes instituted and planned as of July 1991 do not address all of the problems GAO identified. Unless additional controls are in place, Freddie Mac will remain vulnerable to program abuse and avoidable financial losses.

Testimony

Federal Credit and Insurance Programs: Actions That Could Minimize a Growing Risk, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management Programs, before the Urgent

Fiscal Issues Task Force, House Committee on the Budget.
GAO/T-AFMD-92-1, Oct. 24 (23 pages).

The government's credit and insurance programs fall into four categories: (1) direct loans of federal funds to borrowers; (2) privately held loans guaranteed by the government; (3) government-sponsored enterprise loans; and (4) commitments for insurance programs, such as those covering bank deposits and pension benefits. GAO testified that the government's overall exposure from these programs has mushroomed from roughly \$438 billion 25 years ago to more than \$6.2 trillion today. In the last five years alone, the exposure has almost doubled. Losses from these programs have been high and may rise even higher in the future. In addition to economic factors, problems with administration and financial management have impaired the government's ability to minimize and control losses. Congress has taken important steps in passing the Credit Reform Act, the Chief Financial Officers Act, and other legislation aimed at credit and insurance program. The Office of Management and Budget has indicated its support of improved financial management in government and of bringing the accounting and budgeting processes closer together. If the effort is sustained, the federal government's credit and insurance programs can be brought under control and losses minimized. However, this will require strong congressional support augmented by additional actions GAO highlights in this testimony.

Financial Management

Audit Committees: Legislation Needed to Strengthen Bank Oversight

GAO/AFMD-92-19, Oct. 21 (14 pages).

Audit committees play an important role in the corporate governance of banks. Their responsibilities include reviewing financial statements and important accounting policies; supervising the audit activities of the internal and external auditors; and monitoring bank internal controls. Typically, audit committees are comprised of several of a bank's outside or nonmanagement directors. GAO studied the audit committees of the largest U.S. banks to assess the extent to which they had the necessary independence, expertise, and information on bank operations to effectively perform their corporate governance functions. GAO found that many of the committees lacked the independence and expertise necessary to properly oversee bank operations. To improve bank oversight, GAO reaffirmed earlier recommendations for legislation that would strengthen the role played by bank audit committees.

**Financial Audit:
VA Housing Credit Assistance Program Financial Statements for
Fiscal Years 1989 and 1988**

GAO/AFMD-92-2, Oct. 24 (41 pages).

The Department of Veterans Affairs' (VA) housing assistance program financial statements present fairly the program's financial position for fiscal year 1989 and 1988, and the results of its operations for those years. VA's housing assistance program operations for fiscal year 1989 reported a net operating income of \$200 million, as compared to a \$1.8 billion loss the preceding year. This change is due mainly to a refinement in how VA estimates its liability for losses on loans currently guaranteed. Further refinement in the way VA approximates guaranteed loan losses would ensure that estimates continue to reasonably reflect actual losses and requirements of the Federal Credit Reform Act are met. A decline in guaranteed home loan foreclosures also contributed to the changes, as well as to a related change in the amount of VA's estimated liability for these losses. For fiscal years 1986 through 1989, VA's housing assistance program had a cumulative net operating loss of \$3.9 billion. At the end of fiscal year 1989, the present value of VA's estimated liability for accrued loan losses payable in the future was \$2.7 billion. Most of the actual loan loss payments will be made over the next five years and could amount to \$3.6 billion. These payments will have to be funded primarily from appropriations since the fees VA charged on these loans were legislatively designed to cover only a small portion of the related losses. Foreclosures on VA guaranteed loans grew between fiscal years 1986 and 1988 but declined in fiscal year 1989. However, recent increases in loan default rates suggest that future foreclosures could rise. This report discusses factors that could affect the VA housing assistance program's financial position in the future. VA's self-assessments of its housing assistance program internal controls disclosed material weaknesses in several areas for which corrective actions are under way. In addition, GAO found that VA did not reconcile discrepancies in financial data contained in various systems that support the housing assistance program.

**Financial Management:
Resolution Trust Corporation's 1990 Financial Statements**

GAO/AFMD-92-20, Oct. 25 (32 pages).

As a result of its audit of the Resolution Trust Corporation's financial statements for 1990, GAO disclaims an opinion on all statements except the statement of cash flows. GAO discovered significant uncertainties affecting RTC's cost estimates for resolving institutions and that RTC lacked critical internal controls during 1990. These factors preclude GAO from forming an opinion on RTC's estimated recoveries from receiverships for claims paid on behalf of depositors and on its estimated liability for unresolved institutions. The proper valuation of real estate assets is a major concern. Due to the continuing weakness in the economy and the seriously overbuilt real estate market—factors over which RTC has no control—present estimates of recovery value for these assets are problematic. To address the identified internal control weaknesses, RTC recently instituted new policies and procedures at its receiverships and has revised its valuation methodology. GAO will test these areas as part of its 1991 audit. RTC's 1990 financial statements indicate that it could incur up to \$158 billion in losses for resolution actions. RTC has been given \$80 billion so far to resolve failing thrifts. In September 1991, it requested another \$80 billion to cover losses associated with the thrift industry cleanup. RTC reports that it is now nearly out of funds and asks that its working capital borrowing authority be raised to \$160 billion. While RTC assumes that can repay the working capital it borrows through the sale of receivership assets, RTC may have to request additional funding if these assets bring in less than expected. In any event, RTC will only be able to continue its resolution activities if it receives funding promptly.

Government Operations

Federal Recruiting and Hiring: Authority for Higher Starting Pay Useful But Guidance Needs Improvement

GAO/GGD-91-22, Sept. 10 (33 pages).

Since 1964 federal agencies have been allowed to offer higher starting salaries to new workers who have superior or unique qualifications. Over the years, that authority has been expanded. In 1988 the Office of Personnel Management (OPM) gave all federal agencies the authority to approve such federal appointments without first seeking permission from OPM. The 1990 Federal Pay Comparability Act further expanded that authority by extending the allowance for higher starting salaries to new workers below the GS-11 grade. GAO was asked to review agencies' use of this authority. It discovered that while the authority is a very helpful recruiting aid for agencies, control over the use of the authority

needs improvement. Specifically, GAO found that OPM's guidance to agencies on when they may offer higher starting salaries should be more instructive to help agencies decide who qualifies for higher starting salaries. For example, the guidance should (1) require agencies to compare, where practicable, candidates' qualifications with those of current employees in the same positions and (2) outline conditions that define "special need." GAO believes that current OPM guidance, which is designed more for candidates with experience, is inappropriate for positions below GS-11. Better guidance from OPM would also help agencies that are major users of the authority to develop their own, more tailored guidance.

**Program Fraud:
Implementation of the Program Fraud Civil Remedies Act of 1986**

GAO/AFMD-91-73, Sept. 13 (20 pages).

The Program Fraud Civil Remedies Act of 1986 provides federal agencies with an administrative remedy for small-dollar fraud cases that the Department of Justice declines to pursue. The act permits agencies to conduct administrative proceedings to determine the liability of those alleged to have made, presented, or submitted false, fictitious, or fraudulent claims or statements. Civil penalties of up to \$5,000 for each false claim are authorized, as well as an assessment of up to double the amount falsely claimed in cases where federal payment has been made. The act also places a ceiling of \$150,000 on the amount of a claim or group of related claims that may be addressed under the act. This report presents information on how eight agencies have used the act, as well as their views on why use has been limited. Between October 1986 and September 1990, a total of 41 cases had been referred to Justice for approval of administrative action. The cases involved contractor, employee, and employee disability compensation fraud. As of May 1991, 15 of the cases had been resolved for a total of \$327,604, and \$107,819 had been collected. Twenty cases were still under active consideration.

**Patent and Trademark Office:
Impact of Higher Patent Fees on Small-Entity and Federal Agency Users**

GAO/RCED-92-19BR, Oct. 11 (22 pages).

Under the Omnibus Budget Reconciliation Act of 1990, the Patent and Trademark Office (PTO) in the Department of Commerce must in the

future recover essentially all of its patent costs through patent user fees. This change means that a 50-percent subsidy for patent fees enjoyed by small-entity users of PTO services will be shifted from annual appropriations to large-entity users of PTO services. To achieve a fairer distribution of fees, PTO has proposed reducing the subsidy for small entities beginning in fiscal year 1992. In this briefing report, GAO provides information on four alternative approaches to the PTO proposal to reduce the 50-percent subsidy and presents the views of senior patent attorneys and technology transfer officials at 10 federal laboratories with the most active patent and licensing programs.

Testimony

GSA: A Central Management Agency Needing Comprehensive Congressional Oversight, by L. Nye Stevens, Director of Government Business Operations Issues, before the House Committee on Government Operations. GAO/T-GGD-92-3, Oct. 29 (13 pages).

While Congress has been involved in individual projects and has kept a watchful eye on specific General Services Administration efforts, such as major ADP procurement and capital investment projects, it has paid little attention to GSA's overall efforts to fulfill its mission. The annual reauthorization of GSA's overall operations as proposed by H.R. 3161 is designed to improve legislative oversight. To be effective in addressing GSA's problems, GAO testified that the focus of the reauthorization should be on holding GSA accountable for defining and achieving key strategic goals and objectives, cover a period longer than a single year, and perhaps involve sunset provisions for particular GSA activities on a staggered basis.

Real Property Management Issues Facing GSA and Congress, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-GGD-92-4, Oct. 30 (19 pages).

With over 400,000 buildings that cost hundreds of billions of dollars, the federal government's inventory of real property is enormous. In the past, real property management stressed satisfying basic space needs at the least cost. Today, recognition is growing that quality workspace enhances agency performance and employee productivity. Also, changing work concepts and styles brought about by new information and telecommunications technology have changed federal workspace requirements. The General Services Administration was established in

1949 to bring central direction to the government's essential house-keeping functions. GAO believes that GSA needs to concentrate on its envisioned central management agency role and leave operations up to tenant agencies. GAO has identified several reasons why GSA has not effectively fulfilled its intended central management role in the real property area or been successful in acquiring and managing such assets in a more cost effective, businesslike manner. Those factors under GSA's direct control are its predilection towards operations and its lack of a strategic approach to asset management. Those beyond GSA's direct control are the government's decentralized management of real property, funding shortfalls, the current federal budget structure, and the existing congressional authorization process.

Health

Drug Treatment: Despite New Strategy, Few Federal Inmates Receive Treatment

GAO/HRD-91-116, Sept. 16 (26 pages).

Drug treatment in federal prisons is reaching only a small fraction of inmates with serious substance abuse problems. The Bureau of Prison's new strategy to provide treatment seems generally well designed, but implementation falls far short of meeting federal inmates' needs. As of April 1991, only 364 inmates were receiving treatment in the intensive residential programs, and less than half of the treatment slots were filled. For inmates who complete the intensive program, aftercare services to prevent inmate relapses are not in place. The Bureau did not aggressively encourage more inmates to participate in these programs and did not hire an aftercare coordinator until recently. For inmates with less serious substance abuse problems, needed services are not available in all prisons. Largely due to its failure to hire needed prison staff, the Bureau has fallen behind in meeting its own timetable for standardizing drug education and counseling for inmates. Despite these difficulties, the Bureau plans to expand its treatment program. The cost of this expansion is expected to triple from an estimated \$7.2 million in 1990 to \$21.8 million in 1992.

Drug Treatment: State Prisons Face Challenges in Providing Services

GAO/HRD-91-128, Sept. 20 (38 pages).

Nationwide, over 500,000 of the 680,000 state inmates may have substance abuse problems, but state prisons can provide drug treatment to just over 100,000. Most state prisons try to optimize their treatment capacity by targeting their more intensive treatment to those inmates nearing release. Even so, many inmates are released without receiving any drug treatment services. Recognizing the need to enhance their prison drug treatment services, the five states GAO visited are either expanding or improving their prison treatment programs. Services available in these programs were mixed—ranging from drug education, self-help, and professional counseling programs to more intensive residential treatment programs and programs that include aftercare upon release. Many challenges face states in enhancing prison drug treatment services, including limited funding, security considerations, and difficulties in making aftercare available. Prison officials said that they need more information and help from the federal government in implementing effective prison treatment programs. Federal officials with whom GAO spoke acknowledged this need and reported plans to aid the states.

**Reproductive and Developmental Toxicants:
Regulatory Actions Provide Uncertain Protection**

GAO/PEMD-92-3, Oct. 2 (116 pages).

Concern is rising about toxicants that can damage the human reproduction system and fetal development. The societal impact of these substances include the large number of infants born with birth defects and the costs of their lifelong care, a high U.S. infant mortality rate compared to that of other developed countries, and the growing number of children with basic learning disabilities. The causes of 60 percent of these and other reproductive and developmental diseases are currently unknown; the exact percentage caused by environmental exposures may not be known for decades. Prevention is preferable to treatment, and chemical exposures are probably the most preventable of the known causes. Because the network of federal programs authorized to control exposure to toxicants has the major responsibility to prevent environmentally caused disease, GAO studied the extent and sufficiency of federal regulations in this area. Key findings of the study were that (1) federal regulatory agencies have not consistently applied the scientific knowledge that exists to the control of the reproductive and developmental hazards of environmental chemicals but have instead focused on cancer and acute toxicity; (2) of the 10 programs GAO reviewed, the regulatory achievement on 30 widely acknowledged reproductive and developmental hazards falls short of the professed standards of these

very programs and those of experts; and (3) the sufficiency of protection afforded by the current regulation of reproductive and developmental hazards is in doubt, both for the 30 GAO studied and quite possibly for others. GAO summarized this report in testimony before Congress; see:

Reproductive and Developmental Hazards: Regulatory Actions Provide Uncertain Protection, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Senate Committee on Intergovernmental Affairs. GAO/T-PEMD-92-1, Oct. 2 (37 pages).

**Medicare:
Improper Handling of Beneficiary Complaints of Provider Fraud and Abuse**

GAO/HRD-92-1, Oct. 2 (19 pages).

The fastest growing portion of Medicare is part B, which covers physician services, outpatient hospital services, durable medical equipment, and other services. Part B will account for an estimated half a billion claims and \$445 billion in benefit payments in fiscal year 1991. The growth of these payments increases Medicare's vulnerability to erroneously paid claims that may result from provider fraud and abuse. A key line of defense in identifying and correcting fraud and abuse are the Medicare contractors (carriers) who process and pay part B claims. The carriers' primary source of information on possible fraud and abuse is part B beneficiaries. GAO found that carriers are missing opportunities to detect fraud and abuse because telephone personnel who first receive beneficiary complaints often do not refer them to the carriers' investigative units. Instead, beneficiaries are often told to submit their complaints in writing or to resolve them with providers—even though the caller has described the complaint in detail over the phone. Further, when complaints are referred, investigative units often do not examine those that contain substantial indications of potential fraud and abuse. Almost three-fourths of such complaints in GAO's sample were not fully investigated. Although the mishandling of complaints results partly from inadequate government guidance and oversight, the administration's initial fiscal year 1992 budget request significantly reduced funding for carrier personnel who answer beneficiary complaints, including those involving fraud and abuse. However, it appears that funds will be reallocated to minimize this reduction. GAO summarized this report in testimony before Congress; see:

Medicare: Improper Handling of Beneficiary Complaints of Provider Fraud and Abuse, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Senate Special Committee on Aging. GAO/T-HRD-92-2, Oct. 2 (nine pages).

**Medicare:
Millions of Dollars in Mistaken Payments Not Recovered**

GAO/HRD-92-26, Oct. 21 (16 pages).

Although Medicare provides health care coverage for most citizens over 65, it is not always the primary insurer. Medicare is the secondary payer when beneficiaries are covered by both Medicare and workers' compensation, certain employer-sponsored group health insurance plans, and automobile and other liability insurance plans. Hospitals are responsible for obtaining data on beneficiaries' health insurance coverage to identify other insurers who should pay before Medicare. Hospitals receiving payments from both Medicare and a primary insurer must refund any amount due Medicare. Intermediaries (insurance companies under contract with Medicare) process Medicare claims for the hospitals, and they are responsible for ensuring that any mistaken payments are identified and returned to the program. GAO reviewed 196 patient accounts at 17 hospitals; each hospital owed Medicare refunds ranging from \$1,300 to \$327,400, which collectively amounted to more than \$900,000. The credit balances resulted primarily from Medicare and another insurer mistakenly paying for the same inpatient service or Medicare paying twice for the same service. The five intermediaries that service these hospitals lacked the necessary internal controls to ensure that credit balances were identified and promptly recovered, and they gave recovery activities low priority. During GAO's review, Medicare officials initiated actions to help resolve many of the credit balance problems brought to its attention, but additional efforts are needed.

**Defense Health Care:
Implementing Coordinated Care—A Status Report**

GAO/HRD-92-10, Oct. 3 (24 pages).

Department of Defense health care costs have been escalating rapidly, particularly in the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), where costs increased from \$1.4 billion in fiscal year 1985 to an estimated \$3.6 billion in fiscal year 1991. In June

1990, DOD unveiled a plan, to be implemented over three years, for containing health care costs and improving beneficiaries' access to high-quality care. Coordinated Care, the plan's centerpiece, will essentially transform military health care into a system of managed care similar to health maintenance organizations. Building on earlier testimony before Congress (GAO/T-HRD-91-14, Mar. 14, 1991), this report concludes that DOD has made significant advances in moving to a managed health care system, particularly in light of the magnitude and complexity of the undertaking. However, the effort is behind schedule because many complex organizational details and some policies still need to be developed and decided upon. For example, it is unclear exactly what will be expected of military hospital commanders or what additional resources will be needed to implement the program. One important issue raised by GAO in its March testimony—the need to provide for uniform benefits and cost sharing—is not addressed in the current Coordinated Care program. Enrolled beneficiaries who are able to get their medical care at a military hospital will pay less than \$10 a day for inpatient service, while those who must use civilian providers will pay a large part of the bill, usually 25 percent.

**ADMS Block Grant:
Drug Treatment Services Could Be Improved by New Accountability Program**

GAO/HRD-92-27, Oct. 17 (18 pages).

Congress receives limited information on the results of states' drug abuse treatment services funded by the Alcohol, Drug Abuse, and Mental Health Services (ADMS) Block Grant. In examining how states implemented a 1988 ADMS requirement to obtain peer reviews of their drug treatment services, GAO reviewed 10 states' ADMS-related documents and interviewed federal and state officials involved in administering ADMS funds. GAO recommends that the Department of Health and Human Services (HHS) establish reporting requirements that will provide HHS with information on whether states are providing effective drug treatment programs and services. In addition, HHS should report to Congress by 1995 on the progress of a program by the Office of Treatment Improvement, created in 1990 to enhance states' use of the ADMS Block Grant. GAO summarized this report in testimony before Congress; see:

ADMS Block Grant: Drug Treatment Services Could Be Improved by New Accountability Program, by Mark V. Nadel, Associate Director for

National and Public Health Issues, before the House Select Committee on Narcotics Abuse and Control. GAO/T-HRD-92-4, Oct. 17 (10 pages).

Testimony

Long-Term Care Insurance: Consumers Lack Protection in a Developing Market, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce. GAO/T-HRD-92-5, Oct. 24 (16 pages).

The model standards promulgated today by the National Association of Insurance Commissioners for long-term insurance provide greater consumer protection than existed before 1986, but two key problems remain. First, state standards have been improved, but many states have not adopted key Association standards, including those developed between 1986 and 1988. Insurers have adopted Association standards more quickly than states have but have not incorporated more recent Association standards, such as those for inflation protection, into their policies. Second, the model standards do not sufficiently address several significant areas. Terms and definitions are not uniform across policies for long-term care, making it hard or impossible to compare policies and judge which policy provisions might prevent a policyholder from receiving benefits. Pricing is not a good indicator of value—premiums for policies that offer similar benefits may vary as much as 150 percent. In addition, setting premium prices in a new market without experience data requires periodic adjustments that could make long-term care policies unaffordable for some people. By letting their policies lapse, however, policyholders almost always lose their entire investment in premiums. Further, many agents earn high first-year sales commissions, and consumers are vulnerable to agents who push unnecessary policies for the sake of getting commissions.

Screening Mammography: Quality Standards Are Needed In a Developing Market, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Aging, Senate Committee on Labor and Human Resources. GAO/T-HRD-92-3, Oct. 24 (13 pages).

GAO testified that many of the screening mammography providers it surveyed in an earlier report (GAO/HRD-90-32, Jan. 10, 1990) lacked quality assurance programs to ensure that women receive safe and accurate mammograms. Congress has been concerned that a new Medicare screening mammography benefit with a limit on provider charges might

create “mammography mills” providing substandard care. Yet GAO discovered that high volume was associated with greater compliance with quality standards and that price was not indicative of the extent of quality control. GAO testified that strong federal standards are needed to ensure the quality of screening mammography.

Income Security

Testimony

Defined Benefit Pensions: Hidden Liabilities From Underfunded Plans and Potential New Obligations Confront PBGC, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-92-6, Oct. 31 (15 pages).

GAO’s testimony on the financial problems facing the Pension Benefit Guaranty Corporation (PBGC) makes four main points. First, the current threat to PBGC comes mainly from a few seriously underfunded plans in industries experiencing financial troubles. These plans often contain hidden liabilities when they terminate. Second, it is very hard to estimate PBGC’s future liabilities because of difficulties in predicting if or when underfunded plans will terminate and what a plan’s financial position might be at termination. Third, recent bankruptcy court decisions on PBGC’s recovery claims and proposed legislation to extend PBGC’s coverage to new classes of beneficiaries raises the prospect of increased obligations for PBGC to pay in the future. Fourth, despite these potential problems and its current deficit, PBGC should have enough assets to cover its benefit payments. If Congress wishes to stabilize PBGC’s financial condition, however, legislation may be required. This testimony identifies several general policy options affording such protection that Congress might want to pursue.

Information Management

**Trademark Automation:
Search System Improved But Funding for Replacement Should Be Deferred**

GAO/IMTEC-91-66, Sept. 11 (nine pages).

The Patent and Trademark Office (PTO) has responded to users’ complaints by improving the existing T-Search system, and users are

pleased with the results. Trademark searches are now being completed about 20 percent more quickly than last year and access to the systems and hours of availability have improved. Further, PTO is working on improving the accuracy and completeness of information in the system's data base. PTO has requested \$1.4 million in its proposed fiscal year 1992 budget to upgrade T-Search. However, PTO funded the system upgrade effort during fiscal year 1991. PTO had planned to issue a request for proposals for a replacement system in the spring of 1991. The T-Search replacement effort has been delayed by about six months because of slippage in completing studies needed to justify the request for proposals. PTO's budget proposal for fiscal year 1993 includes \$3.3 million to begin developing the replacement system. PTO officials said that it would be fiscal year 1993 before the Office obligates any of these funds.

SSA Computers:

Long-Range Vision Needed to Guide Future Systems Modernization Efforts

GAO/IMTEC-91-44, Sept. 24 (28 pages).

After a decade of effort, the Social Security Administration (SSA) has achieved some successes in modernization, but has yet to establish a clear long-range vision to guide its use of information technology. SSA relies heavily on its information systems to deliver services and benefit payments that affect nearly every U.S. citizen. Without a clear long-range modernization plan, the agency risks being overwhelmed by the huge increases in beneficiaries that loom on the horizon. A lack of management continuity has impeded SSA's progress in modernizing its information systems. A stable guiding force—in the form of a commonly shared vision and a permanent advisory body—is needed to offer consistent direction and advice that will transcend leadership changes. More immediately, because SSA failed to upgrade its backup and recovery system during its recent modernization, the agency now backs up only 20 percent of its current work load—down from the nearly total backup coverage in 1985. As a result, SSA is vulnerable to data losses that could dramatically disrupt agency functions. Such data loss could lead to hundreds of millions of dollars in unnecessary or excessive payments to ineligible beneficiaries and delayed payments to newly eligible beneficiaries.

**Transportation Safety:
Information Strategy Needed for Hazardous Materials**

GAO/IMTEC-91-50, Sept. 25 (18 pages).

Information plays a critical role in the Department of Transportation's (DOT) regulation of hundreds of thousands of shippers, carriers, and container manufacturers handling hazardous materials. However, previous studies by GAO and others have noted that DOT lacks accurate, complete data to monitor this vast community. Department progress in improving this situation has been slow; two initiatives to improve DOT's information management of inspection and enforcement activities have floundered. As a result, DOT cannot use information to evaluate effectively improvements in safety accruing from its inspection and enforcement activities or support Departmentwide hazardous waste enforcement activities. Information resources management strategies are designed to identify ways in which information and technology can be used to support effectively missions needs. Without such a strategy, DOT will have a hard time applying information technology Departmentwide and in resolving longstanding information shortcomings.

**Geographic Information Systems:
Information on Federal Use and Coordination**

GAO/IMTEC-91-72FS, Sept. 27 (31 pages).

This report examines the use and acquisition of federal geographic information systems, which are digital computer systems designed to capture, store, display, analyze, and model data referenced to locations on the earth's surface. The number of federal agencies reporting widespread use of these systems is expected to more than double—from 18 agencies in fiscal year 1990 to 44 in fiscal year 1992. While individual agencies reported modest expenditures on the systems in fiscal year 1990, planned expenditures are expected to increase by about 60 percent by fiscal year 1992. The two largest uses for the systems governmentwide are the management of natural resources and environmental assessment and monitoring. In addition, several agencies use multiple system applications, like emergency planning and response, hazardous and toxic waste tracking, and tactical and strategic defense analyses. Many agencies have neither official mechanisms nor programs in place to coordinate their geographic information systems projects or cooperate with other federal, state, or local agencies. In addition, most agencies have not developed written policies on these systems or instructions for

disposing of spatial data. Nonetheless, many federal agencies obtain system data from other federal, state, and local agencies.

**Interstate Child Support Enforcement:
Computer Network Contract Not Ready to Be Awarded**

GAO/IMTEC-92-8, Oct. 23 (41 pages).

Uncollected child support payments now total \$4 billion annually. To improve enforcement of interstate child support payments, the Department of Health and Human Services has unveiled a new nationwide telecommunications network to share case data with the states. GAO supports replacing the existing paper-intensive information exchange process with an automated one. Shortcuts in the development of the system, however, call into question its appropriateness and cost effectiveness. The demonstration project from which the network evolved did not adequately compare other options for solving interstate child support enforcement, and both the alternatives analysis and cost-benefit analysis were flawed. Further, future users of the network were not adequately consulted, and key issues that will influence the future success or failure of the network have not been addressed. GAO concludes that proceeding with the contract award at this time entails unjustified risks.

**ADP Procurements:
GSA Needs to Improve Its Review Process to Enhance its ADP
Oversight**

GAO/IMTEC-92-7, Oct. 28 (36 pages).

The General Services Administration (GSA) could do a better job in overseeing agencies' automated data processing procurements. While GSA has taken some positive steps, agency actions still result in poorly designed, poorly managed procurements. GSA's management of its procurement review process is not well focused, with staffing problems and poor internal procedures limiting GSA's effectiveness in reducing acquisition risks. In addition, GSA's procurement and management reviews, which can help agencies develop good information resources management processes and procedures, are limited in number and scope. The agency is considering ways to improve its oversight; however, it has not done the analysis necessary to determine what changes are necessary.

**ADP Modernization:
Half-Billion Dollar FmHA Effort Lacks Adequate Planning and
Oversight**

GAO/IMTEC-92-9, Oct. 29 (18 pages).

The Farmers Home Administration (FmHA) needs to rethink its approach to modernizing its information system. The agency is spending hundreds of millions of dollars to modernize systems that support its loan systems before it has clearly articulated a business vision and supporting information needs. So far, FmHA has concentrated on upgrading the existing technology that supports its current loan-making practices. To help define and carry out a strategic vision and supporting information systems, FmHA should consider forging alliances and cultivating partnerships with experts from government, industry, and academia. FmHA must develop an overall information systems plan or blueprint showing how its information technology projects fit together. A guiding architecture is essential to prevent the modernization effort from degenerating into a loose collection of independent systems. FmHA also lacks an effective process for overseeing the modernization. The absence of effective oversight increases the risk that the current modernization effort—like its two predecessors—will fail, leaving the agency without the information technology it needs to improve its credit management. GAO summarized this report in testimony before Congress; see:

Farmers Home Administration: Half-Billion Dollar ADP Modernization Lacks Adequate Planning and Oversight, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-IMTEC-92-2, Oct. 29 (eight pages).

Testimony

FTS 2000 Recompensation: Opportunity Exists for Better Prices, by Jack L. Brock, Jr., Director of Government Information and Financial Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-IMTEC-92-1, Oct. 22 (nine pages).

Although a major objective of FTS 2000 is to provide federal communications services at a cost comparable to or below commercial levels, a recent report (GAO/IMTEC-91-79, Sept. 11, 1991) found that the government has paid substantially above commercial rates for FTS 2000 services and

will continue to do so unless prices are reduced. The report also recognized that FTS 2000 contracts require AT&T and US Sprint to provide additional services not required of commercial customers. At the time of the report, GSA had not determined the value of these additional services, and GAO questioned whether they were worth the additional cost. This testimony draws on that report and notes that since its publication GSA has released a document that sets forth the general conditions that FTS 2000 vendors must meet in the recompetition process. GAO concludes that GSA has a good strategy for obtaining prices below available commercial rates.

International Affairs

International Trade: Priority Trade Damage Estimates Could Have Been Developed

GAO/NSIAD-91-236, Sept. 10 (14 pages).

This report examines what steps the U.S. Trade Representative has taken to implement section 310, "Identification of Trade Liberalization Priorities," of the Trade Act of 1974, often called the "super-301" legislation. GAO discusses the U.S. Trade Representative's criteria for designating priority unfair trade practices in 1989 and 1990 and identifies and assesses the reasons why the U.S. Trade Representative did not provide "trade damage" estimates of those practices as required by the super 301 legislation.

Foreign Assistance: AID's Use of Personal Services Contracts Overseas

GAO/NSIAD-91-237, Sept. 13 (35 pages).

Overseas missions and offices of the Agency for International Development (AID) used several hundred U.S. personal services contractors to perform a broad range of mission and project management functions. GAO's review disclosed no instances in which contractors performed inappropriate functions—such as negotiating with foreign entities; entering into an agreement on behalf of the United States; or making decisions involving planning, budgeting, programming, and personnel selections. However, in its reviews in Guatemala, Honduras, Indonesia, the Ivory Coast, Kenya, and Pakistan, GAO did identify situations where

contractors worked without close or continuous supervision, thus enabling them to influence AID operations by providing advice and recommendations. GAO recommends more stringent enforcement of conflict-of-interest regulations for personal service contractors.

**Soviet Economy:
Assessment of How Well the CIA Has Estimated the Size of the
Economy**

GAO/NSIAD-91-274, Sept. 30 (51 pages).

While the Central Intelligence Agency's (CIA) methods for estimating Soviet GNP are consistent with western national income concepts, these methods are unlikely to produce accurate results, primarily due to data limitations and problems inherent in estimating a nonmarket economy's GNP. The CIA's weakest estimate is its comparison of Soviet and U.S. GNP, mainly due to (1) inherent difficulties in the method used to compare the two economies and (2) the agency's failure to update its ruble-dollar ratios since the 1970s. As a result, the CIA has probably overstated the relative size of the Soviet economy, although the overstatement could be offset by errors in the ruble estimate. Even before the August 1991 coup attempt, developments in the Soviet Union offered some hope that, in the longer term, western estimates of Soviet GNP could become more accurate, and perhaps ultimately less necessary. The current dramatic move toward political and economic reform could further affect the point at which the CIA would no longer need to prepare an estimate of Soviet GNP.

**Foreign Assistance:
African Development Foundation's Grant Funds Are Not Routinely
Audited**

GAO/NSIAD-92-25, Oct. 29 (11 pages).

GAO found that the African Development Foundation—an independent, nonprofit government corporation established to provide financial assistance to grass-roots organizations in Africa—did not conduct required bookkeeping reviews. Of the 25 grantees receiving a grant of \$50,000 or more since May 1989, only five had received a bookkeeping review. The Foundation also did not conduct required initial financial audits. Only two of 25 active grants received an initial audit. In addition, 11 completed grants, totaling about \$1.4 million, had not been audited at

all. Finally, the Foundation did not systematically documents its follow-up and resolution of bookkeeping review and audit findings.

Justice and Law Enforcement

Federal Jails: Design and Construction Flaws in Los Angeles Facility Are Being Corrected

GAO/GGD-91-123, Sept. 20 (10 pages).

This report describes design and construction deficiencies in the Federal Bureau of Prison's Metropolitan Detention Center in Los Angeles and actions taken to correct them. GAO found that due to concerns about earthquakes, cell walls on upper floors of the jail were made of plaster over steel mesh with steel studs. Bureau officials said that at least two inmates had been able to break through these walls. While government specifications call for 12-gauge steel door frames and 14-gauge steel doors, the construction contractor installed less sturdy and less costly doors that inmates have been able to bend and warp. So far, inmates have broken through these doors at least a dozen times. Inmates also tampered with electrical switches and light fixtures located inside their cells. While none of the inmates involved in these incidents actually escaped from the jail, damage to the facility was substantial; cells were sometimes rendered unlivable while repairs were being made. The Bureau is trying to correct these deficiencies by installing metal sheathing to cell walls and ceilings, replacing cell doors with doors of heavier gauge steel, moving electrical switches from inside the cells to the hallways, and installing more secure ceiling light fixtures. The Bureau expects this work to be completed by November 1991 at an estimated cost of about \$250,000. In addition to the other deficiencies, the jail's health unit was not used as originally intended. The health unit was designed to provide all basic medical services in the jail. In practice, however, budget constraints have precluded the hiring of the medical and security staff needed to treat and escort inmates to and from the facility. As a result, most routine outpatient care is provided by physician's assistants in the housing units, and inmates who need to see a doctor are given a clinic appointment. Rooms designed for inpatient care are used only for emergencies, and inmates needing hospitalization are sent to nearby hospitals. The Bureau believes that this arrangement is less costly than staffing the facility to provide inpatient care.

**Drug War:
Observations on Counternarcotics Aid to Columbia**

GAO/NSIAD-91-296, Sept. 30 (39 pages).

**Drug War:
U.S. Programs in Peru Face Serious Obstacles**

GAO/NSIAD-92-36, Oct. 21 (33 pages).

The Andean Strategy to combat cocaine trafficking, approved by President Bush in 1989, increased military, law enforcement, and economic aid to Bolivia, Columbia, and Peru. These two reports, which focus on counternarcotics programs in Columbia and Peru, conclude that the United States is further along in implementing the Andean Strategy in Columbia than in Peru because of the Columbian government's commitment to combat drug trafficking. Peru must overcome serious problems in fighting the drug war before the strategy can be effective. In addition, the United States needs to strengthen its oversight in both countries to ensure that military aid is used efficiently, effectively, and as intended. Finally, human rights abuses remain a major concern in Columbia and Peru. GAO summarized these reports in testimony before Congress; see:

The Drug War: Observations on Counternarcotics Programs in Columbia and Peru, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-92-2, Oct. 23 (14 pages).

**National Defense,
Security, and Military
Procurement**

**Arms Control:
Intermediate-Range Nuclear Forces Treaty Implementation**

GAO/NSIAD-91-262, Sept. 12 (62 pages).

This unclassified version of a classified report discusses the United States' implementation of the Intermediate-Range Nuclear Forces Treaty. This bilateral agreement between the U.S. and the Soviet Union requires removal of an entire class of U.S. and Soviet land-based missiles with ranges between 300 and 3,400 miles. To verify compliance, the treaty provides for several types of on-site inspection. GAO (1) describes the On-Site Inspection Agency's role and organizational structure, including what organization and systems are involved in providing agency policy and operational guidance, and (2) identifies the costs and personnel associated with treaty implementation.

**Defense Contracting:
Improvements Needed in Procurement Technical Assistance
Program**

GAO/NSIAD-91-243, Sept. 20 (10 pages).

Since 1984 the Defense Logistics Agency has provided \$49 million to help finance 90 procurement technical assistance centers sponsored by state and local governments, private nonprofit organizations, and tribal organizations that help businesses obtain DOD contracts. GAO found that the type of services provided by the centers varies according to the needs of the clients and the capacities of the centers. A lack of data makes it difficult to evaluate the effectiveness of the technical assistance program in attracting new defense business for its clients.

**Operation Desert Shield/Desert Storm:
Costs and Funding Requirements**

GAO/NSIAD-91-304, Sept. 24 (13 pages).

The Office of Management and Budget's (OMB) estimate of \$47.5 billion for Operation Desert Shield/Storm funding requirements appears to be overstated. The estimate reflects (1) higher-than-actual costs incurred by the revolving fund accounts, (2) overestimated maintenance needs, (3) replacement of recoverable munitions, and (4) procurements that were canceled due to the operation's short duration. Foreign contributions to the Defense Cooperation Account should fully cover the operation's funding requirements; therefore, the \$15 billion appropriated to the Persian Gulf Regional Defense Fund will not be needed. Foreign commitments for cash contributions total \$48.3 billion, or about \$800 million more than OMB's estimate; 88 percent of the amount pledged has already been contributed. Tracking incremental costs for the operation was difficult because the services only captured the total costs at the unit level and did not subtract the costs they would have normally incurred had there been no crisis in the Persian Gulf. These adjustments were made at the higher reporting levels. Also, cost data are aggregated into broad and general categories that make it hard to verify whether specific costs have been properly charged to the operation.

**Naval Academy Athletic Association:
Organizational Status, Financial Operations, and Oversight**

GAO/NSIAD-91-291, Sept. 24 (eight pages).

The Naval Academy Athletic Association is a private, nonprofit, voluntary association. In contrast to athletic associations at other service academies, which are nonappropriated fund activities of the federal government, the Naval Academy Athletic Association is not under the direct jurisdiction of either the Academy or the Navy. This report discusses (1) the Association's organizational status and the Naval Academy's control over it and (2) financial benefits realized by the Academy from the Association's operations.

**B-2 Bomber:
Status of Subcontract Options**

GAO/NSIAD-91-295, Sept. 24 (17 pages).

This report discusses (1) the extent to which the prime contractor for the B-2 program had acquired components for aircraft that the Air Force does not plan to procure until after fiscal year 1991 and (2) increases to the estimated price of the components. The Defense Department approved Northrop's acquisition of components, under options to subcontracts, for installation in 17 more B-2s than the number the Air Force plans to acquire through fiscal year 1991. If Congress approves B-2 aircraft and funds requested by the Air Force and if available subcontract options are exercised by Northrop, components could be acquired in advance for installation in 11 additional B-2s that the Air Force does not plan to procure until fiscal years 1995 and 1996. Further, prices of the options have risen due to changes in the design of the components. Northrop has allowed the fiscal year 1991 options for seven of these subcontracted components to expire.

**Army Logistics:
Low Returns of Repairable Assets Are Costing the Army Millions**

GAO/NSIAD-91-272, Sept. 25 (39 pages).

The Army manages more than 37,000 items that require depot-level repair to keep its aircraft, vehicles, weapons, and support equipment up-to-date and combat-ready. These items are designated as "repairable" because generally it is more economical to repair rather than replace them. This report examines the Army's efforts to return assets in need of repair to reduce procurement costs and improve military readiness. GAO discovered that Army units returned fewer assets for repair than expected, which resulted in the purchase of additional assets to fill user demands.

**1992 Air Force Budget:
Potential Reductions to Aircraft Procurement Programs**

GAO/NSIAD-91-285BR, Sept. 25 (16 pages).

This review of the Air Force's fiscal year 1992 aircraft procurement budget request and its prior years' appropriations searched for potential reductions and rescissions for the common aircraft support equipment and for aircraft programs and modifications. These programs and modifications are for the C-17, C-130H, B-1B, B-52, F-16, KC-135, MH-60G, and F-15 aircraft. The review did not identify potential reductions or rescissions for the F-15 and the MH-60G. Among the other programs, GAO identified \$352 million in potential reductions to the fiscal year 1992 budget request and \$12.9 million in potential rescissions of appropriated funds from fiscal years 1991 and 1989. No potential rescissions were found in the fiscal year 1990 funds.

**Operation Desert Storm:
Army's Use of Water Purification Equipment**

GAO/NSIAD-91-325, Sept. 26 (19 pages).

Through a combination of host nation water sources and the use of water purification equipment, the Army provided troops deployed in Operation Desert Storm with adequate water supplies. The Army did not, however, monitor the actual water production of the water purification equipment or collect and analyze data on the equipment's performance during Operation Desert Storm. Consequently, the Army has no way of knowing how much water the equipment actually supplied or how well it performed. GAO notes that the Army's projections of the equipment's water production relied on several questionable assumptions. Because the Army believed that it had solved the technical problems with the 3,000-gallon-per-hour Reverse Osmosis Water Purification Unit, it expedited production. It did so even though testing was not completed. The Army plans to complete required testing by September 1991, at which point the contractor will have 42 units ready for delivery. The Army is considering waiving the requirement that the 3,000-gallon-per-hour unit be capable of undergoing nuclear, biological, and chemical decontamination because the system will likely fail to meet this requirement. The Army has no specific plans to compensate for this shortcoming.

**Operation Desert Shield:
Problems Encountered by Activated Reservists**

GAO/NSIAD-91-290, Sept. 27 (16 pages).

Reservists GAO surveyed cited a broad range of problems associated with their activation. These problems stemmed more from what they perceived as inequities in service call-up and assignment policies, coupled with what they saw as inadequate conditions at the installations where they were assigned, rather than from losses in income. Half the reservists GAO interviewed experienced a drop in income, however. About three-quarters of the 40 reservists said that their problems they encountered lowered their morale, and about one-quarter said that they would not reenlist.

**1992 Navy Budget:
Potential Reduction in Shipbuilding and Conversion Program**

GAO/NSIAD-91-318BR, Sept. 27 (seven pages).

This briefing report, one in a series that examines defense budget issues, identifies a potential reduction of \$523.5 million in the AOE-6 class fast combat support ship program for fiscal year 1992. The potential reduction results from delaying, except for procurement of long lead material, construction of one ship until design and construction problems affecting other ships in the program are resolved.

**Strategic Weapons:
Nuclear Weapons Targeting Process**

GAO/NSIAD-91-319FS, Sept. 27 (23 pages).

This unclassified version of a classified report describes the Defense Department's process for formulating its strategic weapons targeting policy and translating that policy into a nuclear war plan—the Single Integrated Operational Plan. GAO provides information on the (1) relationship between the strategic nuclear targeting process and the determination of requirements for nuclear weapons and related delivery systems, (2) level of civilian oversight, and (3) categories and types of targets. These strategic nuclear weapons systems, commonly known as the triad, include land-based intercontinental ballistic missiles, submarine-launched ballistic missiles, and strategic bombers armed with nuclear bombs and missiles.

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

GAO/NSIAD-91-317, Sept. 30 (28 pages).

This report provides information on the status of U.S. and multilateral efforts to stop the proliferation of and eventually destroy all chemical weapons. GAO examines (1) the administration's export control policies and procedures; (2) U.S. coordination with other countries on the control of chemicals and equipment used in making chemical weapons, including U.S. participation in the Australia group; (3) the progress and obstacles in achieving a multilateral convention to ban the manufacture, stockpiling, and use of chemical weapons; and (4) the implementation of bilateral agreements with the U.S.S.R. on chemical weapons data exchanges, visits, and weapons destruction.

**1992 Air Force Budget:
Potential Reduction for the B-2 Initial Spares**

GAO/NSIAD-91-326BR, Sept. 30 (five pages).

The Air Force's \$2.6 billion budget request for initial spare parts to support the B-2 aircraft in its early deployment years can be reduced by \$178.9 million. The budget request submitted to Congress in February 1991 may no longer be valid because the Air Force has since revised its requirements by calculating the parts to be purchased on the basis of predicted usage, wear-out rates, and lead time. The recalculation took into account a classified subsystem that was canceled and unobligated funds that could be used for purchases through fiscal year 1992.

**Defense Reorganization:
Compliance With Legislative Mandate for Contingency Planning**

GAO/NSIAD-91-312, Sept. 30 (nine pages).

This report examines Defense Department guidelines for the preparation of contingency plans and focuses on whether the guidelines were in compliance with the Goldwater-Nichols Department of Defense Reorganization Act of 1986. It also discusses the role of the Under Secretary of Defense for Policy in crisis planning. DOD has established guidance consistent with the provisions of the act. Policy guidance designates the Under Secretary for Policy as the principal staff assistant and advisor to the Secretary on all matters concerning the integration of DOD plans and

policies with overall national security objectives. The first Contingency Planning Guidance document, issued in 1989, was prepared and coordinated by the Assistant Secretary of Defense for International Security Affairs because the position of Under Secretary for Policy was vacant at that time. While the 1990 guidance was sent to the White House in August of that year, it was not approved and thus not formally issued. This was the result of the iterative planning process underway in 1990 to address the dramatic changes in the world environment. The 1991 guidance was in the final stages of processing as of the end of August 1991 before being submitted to the President for approval.

**ICBM Modernization:
Small ICBM Weapon System Status and Current Issues**

GAO/NSIAD-91-275, Sept. 30 (50 pages).

To counter Soviet nuclear advances, a long-standing U.S. national defense goal has been intercontinental ballistic missile (ICBM) modernization. One such modernization initiative is the Small ICBM program, which rests on the belief that a small ICBM would provide greater flexibility in developing basing concepts to enhance ICBM survivability. The Defense Department's plans for deploying the system are uncertain at this time and unresolved issues remain concerning the system configuration, acquisition costs, and deployment milestones. Until DOD provides updated direction, program funding needs are uncertain. Questions also remain concerning (1) the missile's ability to effectively damage hardened facilities and cover the designated target base and (2) the visibility of the missile design and the availability of parts for several missile components and the warhead. While the Air Force is confident of meeting these needs, it is not providing enough information in its reports to Congress to permit meaningful oversight.

**Military Fasteners:
Changes to Specifications Are Justified**

GAO/NSIAD-91-309, Sept. 30. (29 pages)

Threaded fasteners—ranging from nuts and bolts to threaded engine drive shafts—are used extensively in the military. Deficiencies in the current specifications for these items have contributed to fatal accidents and other incidents that affected the performance of military hardware. In addition, nonconforming fasteners have spread throughout the

defense inventory system due to a lack of quality control during manufacturing and inadequate inspection methods. The Air Force acts as the Defense Department's "agent" for threaded fasteners. Proposals from the Air Force to change its specifications for threaded fasteners used in such critical applications have been met with strong opposition from the fastener and aerospace industries, which claim that the changes are unnecessary and will not improve the quality of the product. After considering the views of both industry and government representatives, GAO concludes that the Air Force's decision to change the specifications is reasonable; however, GAO was unable to estimate reliably the cost of implementing the proposed changes.

**Apache Helicopter:
Reliability of Key Components Yet to Be Fully Demonstrated**

GAO/NSIAD-92-19, Oct. 3 (24 pages).

In a previous report (GAO/NSIAD-90-294, Sept. 28, 1990), GAO found that the fully-mission-capable rates for the Apache helicopter fell short of the Army's peacetime goal of 70 percent and decreased as Apache battalions accumulated flying hours. This report addresses the current status of the Army's efforts through August 1991 to improve the reliability of seven hardware components as well as to improve the Apache's maintenance capabilities. Although some progress has been made in resolving key problems, the improved components have not fully demonstrated their reliability. In addition, structural cracking in the tail boom has emerged as a potentially catastrophic problem as the aircraft accumulate flying hours, and the FM antenna reception problem has degraded the Apache's communication performance.

**Navy Housing:
Transient Lodging Operations Need Effective Management Control**

GAO/NSIAD-92-27, Oct. 3 (eight pages).

On any given day in the continental United States, about 5,800 transient Navy personnel are lodged off base while traveling on temporary duty. In 1990 the Navy paid an estimated \$139 million for off-base per diem. The cost of building and operating the on-base facilities is paid from regular appropriations. To match commercial motel standards, however, installations are allowed to charge a fee for maid and custodial services and amenities not available from appropriated funds. This fee, generally about \$4, is a small fraction of the commercial off-base rates that range

between \$40 to \$113 per day. The Navy's transient lodging facilities are not run as efficiently as possible because management controls need improvement. Increased costs of off-base lodging are being incurred because billeting offices (1) rely on a weak reservation system, (2) discourage reservists from using on-base facilities, and (3) have poor control over lodging facilities set aside for senior officials. These problems can be remedied by implementing cost-effective management actions and appropriate internal controls. Navy officials agree and are planning changes to increase efficiency and more effectively control revenues.

**Strategic Sealift:
Part of the National Defense Reserve Fleet Is No Longer Needed**

GAO/NSIAD-92-3, Oct. 7 (56 pages).

The National Defense Reserve Fleet is divided into two components. One component—the Ready Reserve Force (RRF)—includes 96 ships that are routinely maintained so that they could be activated in 5, 10, or 20 days. The other component (the non-RRF) consists of 71 Victory-class ships built during World War II and 45 others of varying age and time in reserve status. These ships receive far less maintenance than RRF ships and would require much longer activation times—between 30 and 120 days. The Maritime Administration spends about \$2 million to retain these ships, some of which are being held for upgrade to the RRF or for other programs. Often referred to as “rust buckets,” they were not used during the Persian Gulf War, even though U.S. sealift capabilities were severely strained. These ships are no longer needed, given the availability and capability of other, quicker-response sealift assets, including the ships in the RRF. Scrapping the obsolete Reserve Fleet ships could (1) save about \$10 million in direct maintenance costs during the next 10 years and (2) generate an estimated \$38 million to \$42 million to improve the RRF if the ships were sold for scrap. Despite the non-RRF ships' physical appearance, they could probably be activated. However, they need to be better maintained and managed if they are to be relied on as viable sealift assets.

**OMB Circular A-76:
Flaws in Cherry Point Comparison Preclude Validation of Contracting Decision**

GAO/NSIAD-92-38, Oct. 18 (27 pages).

An eight-year study concluded that facilities maintenance, utilities, and motor transport functions carried out by 388 federal employees at the Cherry Point Marine Corps Air Station could be done more economically by a private contractor. Pending validation of the cost comparison by GAO, however, federal employees have continued performing these functions. GAO found that the government's decision was flawed because it relied on outdated work statements, there were inconsistencies between the specification format and the source selection plan format, and the contractor selected lacked relevant experience and understanding of critical work requirements. Accordingly, it is unclear whether the services could be done more efficiently by the contractor or whether estimated savings will be realized. The Marine Corps has been directed to further study its contracting decision before it decides whether to proceed.

**Military Education:
Implementation of Recommendations at the Armed Forces Staff
College**

GAO/NSIAD-92-30, Oct. 21 (40 pages).

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 seeks to strengthen combined and joint operations of the various military services. In fulfilling this objective, the House Armed Services Committee established the Panel on Military Education in 1987 to report its finding and recommendations about DOD's ability to develop joint specialty officers through its professional military education programs. This report discusses Phase II professional military education programs taught at the Joint and Combined Staff Officer School in Norfolk, Virginia. It continues the series of GAO reports on actions taken by DOD to improve its officer education at the service and joint schools.

**Contract Pricing:
Economy and Efficiency Audits Can Help Reduce Overhead Costs**

GAO/NSIAD-92-16, Oct. 30 (38 pages).

The Defense Department's use of overhead should-cost reviews, cost-monitoring reviews, and operations audits has decreased to the point that the agency's efforts no longer reflect the Deputy Secretary of Defense's emphasis on the importance of these analytical tools. Although these tools have uncovered significant unnecessary overhead costs, DOD officials said that they have not sustained their review effort

because of inadequate staffing or a shift in emphasis to other types of work. At the same time, overhead rates may continue to increase, as they have since 1987, if the cost of DOD acquisitions continue to decline in the 1980s. Unless DOD renews emphasis, these reviews may decline further as the agency's acquisition work force is cut.

**Defense Acquisition:
U.S.-German Examination of the MLRS Terminal Guidance Warhead Program**

GAO/NSIAD-92-7, Oct. 31 (34 pages).

This report, which represents the second cooperative examination of a multinational weapon system development program undertaken by GAO and the German Court of Audit, examines the status of the Multiple Launch Rocket System's Terminal Guidance Warhead program. GAO discusses (1) the implications for this program of the U.S. selection of another system for full-scale development and (2) the Terminal Guidance Warhead's cost-effectiveness as compared to an alternative German national system in development.

**Navy Research:
Status of Programs in Nonacoustic Antisubmarine Warfare Research**

GAO/NSIAD-92-11, Oct. 31 (13 pages).

Instead of relying on sound in any way, nonacoustic detection of submarines involves electromagnetics, radar, optics, and environmental techniques. Although both the Navy and the Office of the Secretary of Defense oversee nonacoustic antisubmarine warfare research programs, each has taken a different approach to solving the detection problem. The Office of the Secretary of Defense has focused on long-range basic research aimed at developing the scientific parameters needed for understanding nonacoustic technology applications. The Navy program, in contrast, has been aimed at near-term applied research in developing nonacoustic devices that can be quickly deployed in the fleet. This report presents information gathered from program participants and other informed sources on the key issues affecting any decision on which group should be given control over nonacoustic antisubmarine warfare research. Most experts agree that, regardless of who the manager is, a settling down period is needed during which the program can achieve a measure of stability and move forward.

Testimony

Defense Industry: Issues Concerning Five Weapon Systems Provided or Developed by McDonnell Douglas Corporation, by Neal P. Curtin, Director of Planning and Reporting in the National Security and International Affairs Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-NSIAD-92-1, Oct. 3 (18 pages).

Several weapon systems involving the McDonnell Douglas Corporation have experienced significant technical or production problems and often major cost increases. This testimony examines issues associated with the A-12 Avenger medium attack aircraft, C-17 transport aircraft, T-45 Goshawk trainer aircraft, the Apache helicopter, and the Longbow Apache helicopter. Problems with the A-12 were of such magnitude that the Defense Department cancelled the program. The A-12, the C-17, and the T-45 involve cost overruns in their fixed price development contracts. On these three contracts the combined overrun has been estimated to reach as high as \$2.7 billion. The Apache helicopter is a mature system that has been plagued with technical and logistical problems not yet resolved, even though the system has been in production since 1982. Lessons learned from the Apache, if properly applied to the development of the Longbow, could prevent a recurrence of those technical and logistics problems.

Natural Resources

National Park Service: Cost Estimates for Two Proposed Park Facilities in Texas

GAO/RCED-91-218BR, Sept. 3 (nine pages).

This briefing report analyzes the cost estimates for the proposed visitor center at San Antonio Missions National Historical Park in San Antonio, Texas, and a headquarters/visitor center and separate maintenance facility at Big Thicket National Preserve, which is north of Beaumont, Texas. The Park Service's initial cost estimate for the San Antonio facility is \$8.63 million. To date, about \$200,000 has been spent on planning and design work. The Park Service's initial cost estimate for the Big Thicket facilities is \$8.41 million. So far, about \$564,000 has been spent on planning, and about \$3.1 million has been spent on the maintenance facility.

Mineral Resources: Interior's Use of Oil and Gas Development Contracts

GAO/RCED-91-1, Sept. 17 (59 pages).

To prevent the concentration of control over federal oil and gas resources in a few companies or individuals, Congress has limited the number of acres of oil and gas leases that one party may control in a single state. An exception to this limitation involves lease acreage within the boundaries of development contracts. These contracts permit oil and gas lease operators and pipeline companies to contract with enough lessees to economically justify large-scale drilling operations for the production and transportation of oil and gas, subject to approval by the Secretary of the Interior, who must find that such contracts are in the public interest. Since 1986 Interior has entered into or approved 10 contracts with 12 lease operators for exploration of largely unleased federal lands—ranging from about 180,000 to 3.5 million acres in four western states—and has designated them as developmental contracts. GAO believes that the 10 contracts do not satisfy the legal requirements for development contracts because they are for oil and gas exploration on largely unleased federal lands, rather than for developing existing leases. By designating the 10 contracts as development contracts, Interior has enabled nine of the 12 contract parties to accumulate lease acreage that vastly exceeds the statutory acreage limitation. All nine of the contract parties were major or large independent oil companies. As a result, other parties who wish to participate in developing federal oil and gas resources within the four states may be adversely affected because the parties to Interior's contracts have been able to compete for and obtain lease acreage beyond the statutory acreage limitation. Although Interior believes that the Secretary has the discretion under law to use development contracts in the current manner, in April 1989 it ceased issuing these contracts pending completion of GAO's review. Congress needs to resolve the matter by amending mineral leasing laws to expressly permit or prohibit Interior to enter into or approve development contracts for oil and gas on largely unleased federal lands or to increase or remove the acreage limitation.

**National Park Service:
Selected Visitor and Cost Data**

GAO/RCED-91-247FS, Sept. 30 (11 pages).

This fact sheet provides information on aspects of National Park Service operations. GAO (1) presents data on visitor accidents and fatalities and criminal offenses reported at the parks; (2) discusses the Park Service's hazardous waste program; and (3) provides a list of parks created since 1970 that have, or are projected to have, land acquisition and construction appropriations exceeding \$40 million.

Testimony

National Park Service: Status of Development at the Steamtown National Historic Site, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-92-6, Oct. 22 (10 pages).

The Steamtown National Historic Site, established in 1986, encompasses about 63 acres of land that formerly comprised a rail yard in Scranton, Pennsylvania. The site is intended to provide year-round facilities and programs to educate visitors about the role of steam railroads in the expansion of the United States. This testimony discusses the status of the site and notes that various uncertainties raise questions about (1) the reliability of the \$63 million estimated cost to complete site development, (2) identifying and disposing of hazardous and toxic wastes at the site, and (3) the feasibility of the planned rail excursion lines to surrounding locations.

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Water, Power, and Offshore Energy Resources, House Committee on Interior and Insular Affairs. GAO/T-RCED-92-13, Oct. 29 (10 pages).

This testimony, which is based on an earlier report (GAO/RCED-91-175, Aug. 22, 1991), addresses changes needed before renewal of long-term water service contracts in the Bureau of Reclamation's Central Valley Project in California. Significant environmental and water use problems are associated with irrigation practices carried out under existing water service contracts. These irrigation practices have contributed to selenium poisoning and increasing salinity in the San Joaquin Valley; some farmers use Central Valley Project water to produce crops that are also eligible for subsidies under Agriculture Department commodity programs; and with 85 percent of the Central Valley Project water dedicated to irrigation under the contracts, the water supply available for wildlife habitat is inadequate. GAO is concerned that renewing the Central Valley Project's 238 contracts for the same quantities of water for up to 40 years could severely hamper efforts to address existing and future problems. GAO recommends that Congress place a moratorium on all Central Valley Project contract renewals, while temporarily extending existing contracts, and amend legislation to explicitly allow contract renewals for lesser quantities of water and shorter periods of time. GAO also recommends that the Department of the Interior fully

analyze the impact of contract renewal and alternative contract provisions.

Science, Space, and Technology

NASA Procurement: Management Oversight of Contract Cost and Time Changes Could Be Enhanced

GAO/NSIAD-91-259, Sept. 30 (14 pages).

As part of its ongoing review of NASA contract administration and management practices, GAO estimated the extent of cost increases and time extensions in contracts at NASA's four largest procurement centers—Goddard Space Flight Center, Marshall Space Flight Center, Kennedy Space Center, and Johnson Space Center. GAO's estimates indicate that about one in every three contracts in the population GAO sampled experienced cost increases and more than two in every five experienced time extensions. The results varied across centers, and by type of contract and contract product. GAO developed its sampling approach because it could not obtain comprehensive information on contract cost increases and time extensions from NASA's centralized data base—the Financial and Contractual Status System. While this system was not designed to track contract cost increases and time extensions, it does contain the basic data needed and could be enhanced to provide this capability. With modifications to the system, routine and comprehensive tracking of cost increases and schedule delays could be accomplished without using statistical sampling. Because of the uncertainty of statistical sampling, its usefulness as a general management tool can be limited. NASA has agreed to change the system so that it can routinely provide comprehensive information on contract cost increases and time extensions.

Aerospace Plane Technology: Research and Development Efforts in Japan and Australia

GAO/NSIAD-92-5, Oct. 4 (152 pages).

This is one in a series of reports examining aerospace investment in foreign countries. Supporters of the National Aero-Space Plane Program in Congress are concerned about foreign competition to the program and its affect on U.S. technological leadership. Specifically, this report discusses investment in Japanese and Australian aerospace vehicle research and technological development efforts.

Social Services

Low-Income Home Energy Assistance: Observations on HHS' Administration of the Program

GAO/HRD-91-119FS, Sept. 30 (20 pages).

This fact sheet provides information on how the Department of Health and Human Services (HHS) manages the Low-Income Home Energy Assistance Program, which was created in 1981 to help eligible households meet the cost of home heating and cooling, energy-related crises, and residential weatherization activities. GAO discusses HHS' (1) oversight and review of state grant programs; (2) staffing allocation for the program; (3) technical assistance for grantees, particularly Indian tribes; and (4) required data collecting activities and annual report to Congress on states' compliance with statutory requirements.

Tax Policy and Administration

Tax Administration: Benefits of a Corporate Document Matching Program Exceed the Costs

GAO/GGD-91-118, Sept. 27 (41 pages).

The Internal Revenue Service's (IRS) document matching program for payments to individuals has proven to be a highly cost-effective way of bringing in billions of dollars in tax revenues to the Treasury while boosting voluntary compliance. GAO believes that similar results would arise if the law required information returns that reported payments to corporations and if IRS developed a program to match these documents to corporate tax returns. This report analyzes the steps needed to make such a program reality. First, Congress needs to pass legislation requiring that payments to corporations be reported on information returns and to appropriate enough money for IRS to implement the program. Second, IRS must take steps to (1) ease any burdens the reporting requirement places on the business community and (2) facilitate the reporting and matching of documents. For example, IRS could phase in the reporting requirement and document match over several years and slowly expand the program as both IRS and the business community learn from their initial experiences.

**Public Utilities:
Disposition of Excess Deferred Taxes**

GAO/GGD-91-51, Sept. 27 (53 pages).

Excess deferred taxes were created when the Tax Reform Act of 1986 cut the minimum corporate income tax rate from 46 percent to 34 percent, thereby canceling some future expected income tax payments of privately owned utilities. Section 203(e) of the act requires that return of excess deferred taxes to rate payers be normalized. This involves utilities transferring excess deferred taxes to rate payers through cuts in utility service rates for at least as long as the remaining life of the capital assets that gave rise to them. This report presents information about the treatment of privately owned public utilities' excess deferred tax reserves. GAO (1) describes the origin of the excess deferred taxes and how utilities may and may not use them, including any restrictions on utilities' use of excess deferred taxes to diversify into nonutility activities; (2) provides data on excess deferred tax balances and estimates of how fast they can be passed on to utility customers under normalization; (3) discusses policy issues involving normalization treatment for deferred and excess deferred taxes; (4) describes the benefits and costs of the normalization requirement for utilities and utility customers; and (5) describes the likely reaction of state public utility commissions if section 203(e) was repealed.

Testimony

Tax Policy: Amortizing Purchased Intangible Assets, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-92-1, Oct. 2 (seven pages).

The tax treatment of intangible assets is one of the oldest controversies between taxpayers and the Internal Revenue Service. GAO's concerns with the current tax rules for the treatment of purchased intangible assets involve complexity and fairness issues. The rules are complex in application because they lack adequate standards for determining which purchased intangible assets can be amortized for tax purposes. This lack of clear guidance has resulted in different treatment of similarly situated taxpayers, improper measurement of taxable income for some taxpayers, and protracted conflicts between IRS and taxpayers. A recent report on this subject (GAO/GGD-91-88, Aug. 9, 1991) recommended that Congress amend current law to allow amortization of all purchased

intangible assets, including goodwill, over specific statutory cost recovery periods.

Transportation

Highway Safety: Have Automobile Weight Reductions Increased Highway Fatalities?

GAO/PEMD-92-1, Oct. 8 (38 pages).

Smaller cars, the argument goes, are less safe than larger cars, and the automobile fatality rate will therefore increase if more small cars appear on America's roadways. This projection about the negative consequences of future auto downsizing derives from research on the effects of past auto weight reductions among specific makes and models of cars or in particular types of accidents. This research has focused on "crashworthiness"—that is, the protection that cars of different sizes afford their occupants in a collision. GAO reviewed the literature on auto weight and safety and did its own analysis from fatal traffic accident data compiled by the National Highway Traffic Safety Administration. GAO's findings support the view that the auto weight reductions since the mid-1970s have had virtually no effect on total highway fatalities. Fatality rates for all cars have declined in recent years, but the rate for light cars has improved more than for heavier cars. GAO found that an approach that focuses exclusively on crashworthiness neglects other important factors involved in the weight/safety relationship that may have had beneficial effects on highway safety during the 1970s and 1980s. One of these factors is the dramatic reduction in the number of heavy cars and therefore in the danger that these cars pose to occupants of other vehicles with which they collide.

Traffic Management: Federal Policies to Encourage Low-Cost Approaches Need to Be Strengthened

GAO/PEMD-91-26BR, Aug. 28 (40 pages).

Traffic congestion on the nation's highways and streets continues to increase and affect mobility, energy conservation, and air quality. GAO evaluated federal efforts to encourage better management of the nation's highways through the use of low-cost transportation systems management techniques. Overall, GAO found that the federal government plays an important role in facilitating the local implementation of such techniques to reduce congestion and improve air quality. This role

includes funding assistance, planning requirements, and technical support. These current efforts have not, however, been fully successful in achieving widespread transportation systems management—and particularly transportation demand management—usage.

**Air Traffic Control:
FAA's Transition of Communications System to Digital Technology**

GAO/IMTEC-91-77FS, Sept. 26 (14 pages).

The Federal Aviation Administration (FAA) recognizes that it needs to eventually convert its communications network to a predominantly digital architecture because of the obsolescence of analog technology. In August 1991, FAA began installing equipment on the Radio Communications Link system to enable the transmission of digital data over digital communications lines, while maintaining the current analog-based system. To plan for the transition to digital architecture, FAA began two contractor studies to (1) design a future all-digital architecture for FAA's communications system and (2) determine when to fully convert the agency's interfacility communications system, including the Radio Communications link, to digital technology.

**Highway Trust Fund:
Revenue Sources, Uses, and Spending Controls**

GAO/RCED-92-48FS, Oct. 16 (19 pages).

Congress is now considering ways to reauthorize federal-aid highway and mass transit programs for fiscal years 1992 through 1996. The Highway Trust Fund is the mechanism that provides financing for these programs. Revenues generated by highway user taxes, as well as the interest these revenues earn, accrue to the trust fund and are used to reimburse states and transit authorities for expenditures incurred on approved federal-aid highway and mass transit projects. This fact sheet provides information on four issues related to the Highway Trust Fund: (1) the sources and amounts of trust fund revenues generated during fiscal years 1987 through 1991; (2) the use of these revenues; (3) the estimated balance remaining in the trust fund when federal-aid highway and mass transit programs expire at the end of fiscal year 1991; and (4) the influence that the Budget Enforcement Act of the Omnibus Budget Reconciliation Act of 1990 could have on surface transportation spending during the next reauthorization period.

Testimony

FAA Staffing: Better Strategy Needed to Ensure Facilities Are Properly Staffed, by John H. Anderson, Jr., Associate Director for Transportation Issues, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-RCED-92-8, Oct. 16 (18 pages).

The air traffic controller staffing levels of the Federal Aviation Administration (FAA) have been a problem since 1981 when more than 11,000 controllers went on strike and were fired. In looking at efforts by FAA to rebuild its work force in the 10 years since the strike, GAO found that FAA has updated its staffing standards. The standards indicate that FAA is about 700 controllers, or four percent, short of its overall staffing goal of about 18,300. However, GAO also found that at selected air traffic control facilities, actual staffing levels differ substantially from the levels the standards prescribe. Some of the busiest facilities in the country have levels that are well below the staffing standards. GAO also found that FAA is developing a new plan to improve hiring, training, and placement of controllers. It remains to be seen how the plan will relate to FAA's current efforts and whether FAA can effectively implement the plan.

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GAO/RCED-92-15, Oct. 17.

Testimony

Farmers Home Administration Farmer Program Assistance to Beginning Farmers
GAO/T-RCED-92-4, Oct. 8.

Department of Agriculture Mismanagement of Nationwide Food Consumption Survey
GAO/T-RCED-92-7, Oct. 16.

Food Safety and Quality Inspection of Canadian Meat Imports Under USDA's Streamlined Procedures
GAO/T-RCED-92-18, Oct. 31.

BUDGET AND SPENDING

Impoundments Unreported Deferral of Department of Veterans Affairs' Major Construction Funds
GAO/OGC-91-12, Oct. 2.

Impoundments Release of Funds Proposed for Impoundment but Not Approved by Congress
GAO/OGC-92-1, Oct. 10.

Impoundments Release of Withheld Funds for Defense Research and Emergency Refugee Assistance
GAO/OGC-92-2, Oct. 28.

BUSINESS, INDUSTRY, AND CONSUMERS

Testimony

Federal Research Small Business Innovation Research Program Shows Success But Could Be Strengthened
GAO/T-RCED-92-3, Oct. 3.

CIVIL RIGHTS

Testimony

Federal Affirmative Action Status of Women and Minority Representation in the Federal Workforce
GAO/T-GGD-92-2, Oct. 23.

EDUCATION

Testimony

Direct Student Loans Could Save Money and Simplify Program Administration
GAO/T-HRD-92-8, Oct. 29.

EMPLOYMENT

Training Partnership Act Racial and Gender Disparities in Services
GAO/HRD-91-148, Sept. 20.

Testimony

Managing Workplace Safety and Health in the Petrochemical Industry
GAO/T-HRD-92-1, Oct. 2.

ENERGY

Nuclear Health and Safety Workers' Compensation Rights Protected at Hanford
GAO/RCED-91-203, Sept. 10.

Nuclear Waste Operation of Monitored Retrievable Storage Facility Is Unlikely by 1988
GAO/RCED-91-194, Sept. 24.

Energy Management DOE Actions to Improve Oversight of Contractors' Subcontracting Practices
GAO/RCED-92-28, Oct. 7.

Energy Management Contract Audit Problems Create the Potential for Fraud, Waste, and Abuse
GAO/RCED-92-41 Oct. 11.

Testimony

Electricity Supply Regulation of the Changing Electric Utility Industry Under the Public Utility Holding Company Act
GAO/T-RCED-92-2, Oct. 3.

Comments on Proposed Legislation to Restructure DOE's Uranium Enrichment Program
GAO/T-RCED-92-14 Oct. 29.

ENVIRONMENTAL PROTECTION

Lawn Care Pesticides EPA Needs to Assess State Notification Programs
GAO/RCED-91-208, Sept. 25.

Hazardous Waste Incinerator Operating Regulations and Related Air Emission Standards
GAO/RCED-92-21, Oct. 16.

Superfund EPA Has Not Corrected Long-Standing Contract Management Problems
GAO/RCED-92-45, Oct. 24.

Testimony

Water Pollution Observations on EPA's Efforts to Clean Up the Great Lakes
GAO/T-RCED-92-1, Oct. 4.

Coast Guard Oil Spills Continue Despite Waterfront Facility Inspection Program
GAO/T-RCED-92-12, Oct. 24.

Superfund Issues That Need to Be Addressed Before the Program's Next Reauthorization
GAO/T-RCED-92-15, Oct. 29.

Pesticides EPA Lacks Assurance That All Adverse Effects Data Have Been Reviewed
GAO/T-RCED-92-16, Oct. 30.

Pesticides EPA's Information Systems Provide Inadequate Support for Reregistration
GAO/T-IMTEC-92-3, Oct. 30.

Water Pollution Ocean Dumping Fee Program Is Meeting Statutory Requirements
GAO/T-RCED-92-5, Oct. 30.

FINANCIAL INSTITUTIONS

Resolution Trust Corporation: Monitoring RTC's Fitness and Integrity Policies for Independent Contractors
GAO/GGD-91-134BR, Sept. 25.

Securities and Futures Markets Efforts to Detect Intermarket Frontrunning
GAO/GGD-91-135, Sept. 26.

Financial Institutions Time Limits on Holding Deposits Generally Met but More Oversight Needed
GAO/GGD-91-132, Sept. 30.

Federal Home Loan Mortgage Corporation Abuses in Multifamily Program Increase Exposure to Financial Losses
GAO/RCED-92-6, Oct. 7.

Testimony

Federal Credit and Insurance Programs Actions That Could Minimize a Growing Risk
GAO/T-AFMD-92-1, Oct. 24.

FINANCIAL MANAGEMENT

- Audit Committees: Legislation Needed to Strengthen Bank Oversight
GAO/AFMD-92-19, Oct. 21.
- Financial Audit: VA Housing Credit Assistance Program Financial Statements for Fiscal Years 1989 and 1988
GAO/AFMD-92-2, Oct. 24.
- Financial Management: Resolution Trust Corporation's 1990 Financial Statements
GAO/AFMD-92-20, Oct. 25.

GOVERNMENT OPERATIONS

- Federal Recruiting and Hiring: Authority for Higher Starting Pay Useful But Guidance Needs Improvement
GAO/GGD-91-22, Sept. 10.
- Program Fraud: Implementation of the Program Fraud Civil Remedies Act of 1986
GAO/AFMD-91-73, Sept. 13.
- Patent and Trademark Office: Impact of Higher Patent Fees on Small-Entity and Federal Agency Users
GAO/RCED-92-19BR, Oct. 11.

Testimony

- GSA: A Central Management Agency Needing Comprehensive Congressional Oversight
GAO/T-GGD-92-3, Oct. 29.
- Real Property Management Issues Facing GSA and Congress
GAO/T-GGD-92-4, Oct. 30.

HEALTH

- Drug Treatment: Despite New Strategy, Few Federal Inmates Receive Treatment
GAO/HRD-91-116, Sept. 16.
- Drug Treatment: State Prisons Face Challenges in Providing Services
GAO/HRD-91-128, Sept. 20.
- Reproductive and Developmental Toxicants: Regulatory Actions Provide Uncertain Protection
GAO/PEMD-92-3, Oct. 2.

Medicare: Improper Handling of Beneficiary Complaints of Provider Fraud and Abuse
GAO/HRD-92-1, Oct. 2.

Medicare: Millions of Dollars in Mistaken Payments Not Recovered
GAO/HRD-92-26, Oct. 21.

Defense Health Care Implementing Coordinated Care—A Status Report
GAO/HRD-92-10, Oct. 3.

ADMS Block Grant: Drug Treatment Services Could Be Improved by New Accountability Program
GAO/HRD-92-27, Oct. 17.

Testimony

- Reproductive and Developmental Hazards: Regulatory Actions Provide Uncertain Protection
GAO/T-PEMD-92-1, Oct. 2.
- Medicare: Improper Handling of Beneficiary Complaints of Provider Fraud and Abuse
GAO/T-HRD-92-2, Oct. 2.
- ADMS Block Grant: Drug Treatment Services Could Be Improved by New Accountability Program
GAO/T-HRD-92-4, Oct. 17.
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GAO/T-HRD-92-5, Oct. 24.
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GAO/T-HRD-92-3, Oct. 24.

INCOME SECURITY

Testimony

- Defined Benefit Pensions: Hidden Liabilities From Underfunded Plans and Potential New Obligations Confront PBGC
GAO/T-HRD-92-6, Oct. 31.

INFORMATION MANAGEMENT

- Trademark Automation: Search System Improved but Funding for Replacement Should Be Deferred
GAO/IMTEC-91-66, Sept. 11.
- SSA Computers: Long-Range Vision Needed to Guide Future Systems Modernization Efforts
GAO/IMTEC-91-44, Sept. 24.
- Transportation Safety Information Strategy Needed for Hazardous Materials
GAO/IMTEC-91-50, Sept. 25.
- Geographic Information Systems: Information on Federal Use and Coordination
GAO/IMTEC-91-72FS, Sept. 27.
- Interstate Child Support Enforcement: Computer Network Contract Not Ready to Be Awarded
GAO/IMTEC-92-8, Oct. 23.

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance its ADP Oversight
GAO/IMTEC-92-7, Oct. 28.

ADP Modernization: Half-Billion Dollar FmHA Effort Lacks Adequate Planning and Oversight
GAO/IMTEC-92-9, Oct. 29.

Testimony

- FTS 2000 Recompensation: Opportunity Exists for Better Prices
GAO/T-IMTEC-92-1, Oct. 22.
- Farmers Home Administration: Half-Billion Dollar ADP Modernization Lacks Adequate Planning and Oversight
GAO/T-IMTEC-92-2, Oct. 29.

INTERNATIONAL AFFAIRS

- International Trade: Priority Trade Damage Estimates Could Have Been Developed
GAO/NSIAD-91-236, Sept. 10.
- Foreign Assistance: AID's Use of Personal Services Contracts Overseas
GAO/NSIAD-91-237, Sept. 13.

Soviet Economy: Assessment of How Well the CIA Has Estimated the Size of the Economy
GAO/NSIAD-91-274, Sept. 30.

Foreign Assistance: African Development Foundation's Grant Funds Are Not Routinely Audited
GAO/NSIAD-92-25, Oct. 29.

JUSTICE AND LAW ENFORCEMENT

- Federal Jails: Design and Construction Flaws in Los Angeles Facility Are Being Corrected
GAO/GGD-91-123, Sept. 20.
- Drug War: Observations on Counternarcotics Aid to Columbia
GAO/NSIAD-91-296, Sept. 30.

Drug War: U.S. Programs in Peru Face Serious Obstacles
GAO/NSIAD-92-36, Oct. 21.

Testimony

- The Drug War: Observations on Counternarcotics Programs in Columbia and Peru
GAO/T-NSIAD-92-2, Oct. 23.

NATIONAL DEFENSE, SECURITY, AND MILITARY PROCUREMENT

- Arms Control: Intermediate-Range Nuclear Forces Treaty Implementation
GAO/NSIAD-91-262, Sept. 12.
- Defense Contracting: Improvements Needed in Procurement Technical Assistance Program
GAO/NSIAD-91-243, Sept. 20.
- Operation Desert Shield/Desert Storm: Costs and Funding Requirements
GAO/NSIAD-91-304, Sept. 24.
- Naval Academy Athletic Association: Organizational Status, Financial Operations, and Oversight
GAO/NSIAD-91-291, Sept. 24.
- B-2 Bomber: Status of Subcontract Options
GAO/NSIAD-91-295, Sept. 24.

Army Logistics: Low Returns of Repairable Assets Are Costing the Army Millions
GAO/NSIAD-91-272, Sept 25

1992 Air Force Budget: Potential Reductions to Aircraft Procurement Programs
GAO/NSIAD-91-285BR, Sept. 25

Operation Desert Storm: Army's Use of Water Purification Equipment
GAO/NSIAD-91-325, Sept 26

Operation Desert Shield: Problems Encountered by Activated Reservists
GAO/NSIAD-91-290, Sept 27

1992 Navy Budget: Potential Reduction in Shipbuilding and Conversion Program
GAO/NSIAD-91-318BR, Sept. 27.

Strategic Weapons: Nuclear Weapons Targeting Process
GAO/NSIAD-91-319FS, Sept. 27

Arms Control: U.S. and International Efforts to Ban Chemical Weapons
GAO/NSIAD-91-317, Sept 30

1992 Air Force Budget: Potential Reduction for the B-2 Initial Spares
GAO/NSIAD-91-326BR, Sept 30

Defense Reorganization: Compliance With Legislative Mandate for Contingency Planning
GAO/NSIAD-91-312, Sept 30

ICBM Modernization: Small ICBM Weapon System Status and Current Issues
GAO/NSIAD-91-275, Sept 30

Military Fasteners: Changes to Specifications Are Justified
GAO/NSIAD-91-309, Sept. 30

Apache Helicopter: Reliability of Key Components Yet to Be Fully Demonstrated
GAO/NSIAD-92-19, Oct. 3

Navy Housing: Transient Lodging Operations Need Effective Management Control
GAO/NSIAD-92-27, Oct 3

Strategic Sealift: Part of the National Defense Reserve Fleet Is No Longer Needed
GAO/NSIAD-92-3, Oct 7

OMB Circular A-76: Flaws in Cherry Point Comparison Preclude Validation of Contracting Decision
GAO/NSIAD-92-38, Oct 18

Military Education: Implementation of Recommendations at the Armed Forces Staff College
GAO/NSIAD-92-30, Oct 21.

Contract Pricing: Economy and Efficiency Audits Can Help Reduce Overhead Costs
GAO/NSIAD-92-16, Oct 30

Defense Acquisition: U.S.-German Examination of the MLRS Terminal Guidance Warhead Program
GAO/NSIAD-92-7, Oct 31

Navy Research: Status of Programs in Nonacoustic Antisubmarine Warfare Research
GAO/NSIAD-92-11, Oct 31

Testimony

Defense Industry: Issues Concerning Five Weapon Systems Provided or Developed by McDonnell Douglas Corporation
GAO/T-NSIAD-92-1, Oct 3

NATURAL RESOURCES

National Park Service: Cost Estimates for Two Proposed Park Facilities in Texas
GAO/RCED-91-218BR, Sept 3

Mineral Resources: Interior's Use of Oil and Gas Development Contracts
GAO/RCED-91-1, Sept 17

National Park Service: Selected Visitor and Cost Data
GAO/RCED-91-247FS, Sept 30

Testimony

National Park Service: Status of Development at the Steamtown National Historic Site
GAO/T-RCED-92-6, Oct 22

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed
GAO/T-RCED-92-13, Oct 29

SCIENCE, SPACE, AND TECHNOLOGY

NASA Procurement: Management Oversight of Contract Cost and Time Changes Could Be Enhanced
GAO/NSIAD-91-259, Sept 30

Aerospace Plane Technology: Research and Development Efforts in Japan and Australia
GAO/NSIAD-92-5, Oct 4

SOCIAL SERVICES

Low-Income Home Energy Assistance: Observations on HHS' Administration of the Program
GAO/HRD-91-119FS, Sept 30

TAX POLICY AND ADMINISTRATION

Tax Administration: Benefits of a Corporate Document Matching Program Exceed the Costs
GAO/GGD-91-118, Sept 27

Public Utilities: Disposition of Excess Deferred Taxes
GAO/GGD-91-51, Sept 27

Testimony

Tax Policy: Amortizing Purchased Intangible Assets
GAO/T-GGD-92-1, Oct. 2.

TRANSPORTATION

Highway Safety: Have Automobile Weight Reductions Increased Highway Fatalities?
GAO/PEMD-92-1, Oct 8

Traffic Management: Federal Policies to Encourage Low-Cost Approaches Need to Be Strengthened
GAO/PEMD-91-26BR, Aug 28

Air Traffic Control: FAA's Transition of Communications System to Digital Technology
GAO/IMTEC-91-77FS, Sept 26

Highway Trust Fund: Revenue Sources, Uses, and Spending Controls
GAO/RCED-92-48FS, Oct 16

Testimony

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