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Reports and Testimony: December 1991

Highlights

Breast Cancer

Since 1971 there has been no progress in preventing breast cancer and until there is a better understanding of the factors that cause the disease, efforts to prevent it have little chance of success. Page 14.

Military Medical Inventory

The Defense Department's health care system can save millions of dollars by adopting the inventory management practices of leading civilian hospitals, such as eliminating warehouses and having vendors deliver medical supplies where and when they are needed. Page 19.

Agriculture Payments

A 1987 law intended to choke off annual farm subsidies of more than \$50,000 per producer has loopholes that still let big operations skirt the limit through various organizational schemes. Page 2.

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Reports and Testimony: December 1991

Agriculture and Food

Agriculture Payments: Effectiveness of Efforts to Reduce Farm Payments Has Been Limited

GAO/RCED-92-2, Dec. 5 (32 pages).

Deficiency payments—the main payments made to producers who participate in farm programs for wheat, feed grains, cotton, and rice—are meant to protect farmers' incomes when crop prices fall below a certain level. The Food Security Act of 1985 limited payments for those commodities to \$50,000 per person annually. GAO reported in 1987 (see GAO/RCED-87-176) that it was fairly easy for producers to avoid the limit by reorganizing their farm operations through limited partnerships and the like. In response, Congress passed legislation that year to prevent producers from skirting the payment limit and to cut farm program costs. GAO concludes that this law has been only minimally effective, with big farm operations using loopholes to maintain subsidies in excess of the \$50,000 limit. GAO continues to believe that implementation of the recommendations in its 1987 report would more effectively limit program payments and reduce program costs. This approach would (1) ensure that individuals actively engaged in farming would not receive more than \$50,000 in payments, either as individuals or through business entities, and (2) eliminate the benefit gained by reorganizing in order to maintain or increase total payments to the farming operation.

Food Assistance: Processing of USDA Commodities Donated to the National School Lunch Program

GAO/RCED-92-67, Dec. 31 (54 pages).

During the 1990 school year, the U.S. Department of Agriculture (USDA) provided over \$629 million in food commodities—such as beef, poultry, cheese, and flour—to child nutrition programs. Almost all of these commodities went to local school districts as part of the National School Lunch Program. Schools use the commodities to fix school lunches in their own kitchens or have food processing companies process the commodities into products like hamburgers or pizzas. This report discusses the extent to which (1) states are using processors to prepare their commodities, (2) state processing requirements vary, and (3) schools are satisfied with their access to processors and the services being provided.

Civil Rights

Federal Workforce: Continuing Need for Federal Affirmative Employment

GAO/GGD-92-27BR, Nov. 27 (10 pages).

The 1978 Civil Service Reform Act set forth that a goal of federal personnel management should be a competent, honest, and productive federal work force reflective of the Nation's diverse population. This briefing report provides information on the extent to which the federal government has achieved such a representative work force and the effectiveness of the government's management of affirmative employment efforts relating to federal employees. GAO concludes that while the government has made progress towards that goal, white women and Hispanics remain underrepresented in the overall federal workforce. The status of women and minorities by grade level suggests the need for continued attention. This is true for women and minorities in agencies' key jobs and in the upper levels of those jobs. The affirmative employment planning process has lacked priority. Agencies vary in their success in achieving representation. The discrimination complaint processing system is often described as in need of repair. These shortcomings point to the continuing need for a strong federal affirmative action program.

Education

Perkins Student Loans: Options That Could Make the Program More Financially Independent

GAO/HRD-92-6, Dec. 9 (49 pages).

The Perkins Loan Program provides low-interest loans to financially needy students at colleges, universities, and other postsecondary schools. Since the program's inception in 1958, over \$13 billion in loans have been made to 10 million borrowers. Over \$1.5 billion in loans have been defaulted on, although the government is recovering some of that money. Of the more than 3,200 participating schools, 87 percent had operating costs and losses that exceeded their funds' income. Through June 30, 1989, cumulative operating costs and losses exceeded income by about \$1.05 billion. Schools with high default rates have avoided funding restrictions by assigning their defaulted loans to the Department of Education. This allows them to maintain funding eligibility because the statutory formula used to calculate default rates excludes loans assigned to the Department—the rates are based solely on the loans held by the schools. A default rate formula that included assigned

loans would help cut program costs because only schools with default rates below the statutory limits would receive more funding. GAO also identified several cost-reduction and revenue-producing alternatives, such as delaying loan disbursements or raising the loan interest rate, that could help the program become more financially sound. These alternatives are based on features of other federal student loan programs.

Employment

Testimony

Federal Employment: Job Displacement Assistance for Disabled Workers, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service. GAO/T-GGD-92-6, Dec. 11 (17 pages).

The Department of Defense estimates that budget cuts, along with base realignments and closures, will affect an estimated 200,000 civilian employees over the next four years. Officials acknowledge that existing job placement systems will be severely strained by the large number of reductions. This testimony (1) briefly describes the operations of certain job information and placement programs that can help displaced workers; (2) provides recent job placement data for displaced federal employees; and (3) identifies questions, limitations, or preliminary concerns about these programs.

Energy

Fossil Fuels: Improvements Needed in DOE's Clean Coal Technology Program

GAO/RCED-92-177, Oct. 30 (40 pages).

Coal provides about one quarter of the nation's energy needs, but emissions from coal combustion have contributed to air pollution, including acid rain. Under a program to provide more advanced, efficient, and environmentally acceptable coal utilization technologies, the Department of Energy (DOE) funds up to 50 percent of the costs of industry-sponsored projects to demonstrate commercial-scale applications of innovative clean coal technologies. As of September 1991, about half of the 32 ongoing funded projects were progressing on schedule and within cost estimates. Equipment failures, additional equipment requirements, and problems in scheduling tests were contributing factors to projects

that were behind schedule or over budget. GAO believes that DOE's selection of some projects, while meeting selection criteria, may not be the most effective use of federal funds. For example, some projects are demonstrating technologies that might have been commercialized without federal assistance. GAO also identified projects with potentially limited applications and projects that have proven economically unviable. GAO questions whether DOE has done all that it could to ensure that its investment is adequately protected. For example, DOE continued to fund some projects that it knew were experiencing financing problems and that were eventually withdrawn from the program; DOE has since improved controls over project costs.

**Energy Management:
Tightening Fee Process and Contractor Accountability Will Challenge DOE**

GAO/RCED-92-9, Oct. 30 (32 pages).

The Department of Energy's (DOE) contracting practices are one of 16 federal areas that GAO has identified as highly vulnerable to waste, fraud, abuse, and mismanagement. As part of a broader GAO effort to examine DOE's process for formally reviewing and assessing the performance of management and operating contractors, this report focuses on those contractors operating under cost-plus-award-fee contracts with DOE's Albuquerque Field Office. GAO selected this office because it administers contractors for four large defense materials production plants—Kansas City, Mound, Pantex, and Pinellas—as well as the contract for the Waste Isolation Pilot Plant, in which DOE plans to store radioactive waste. GAO discusses (1) the effectiveness of DOE's use of performance objectives to set expectations and evaluate contractor performance, (2) the effectiveness of DOE's use of data from on-site reviews to evaluate contractor performance for award fee purposes, and (3) the effect of DOE's new award fee regulations on the performance evaluation and award determination process.

**Electricity Supply:
Utility Demand-Side Management Programs Can Reduce Electricity Use**

GAO/RCED-92-13, Oct. 31 (60 pages).

According to Department of Energy projections, the nation may need more than 100 new large power plants to meet electricity demand in

2000. Utility-sponsored programs promoting more efficient electricity use—called demand-side management programs—can help avoid the costs and environmental concerns associated with power plants. This report examines (1) the potential for utility sponsored demand-side management programs to cut future electricity demand; (2) impediments to the effectiveness of such programs; and (3) efforts by utilities, states, and federal power-marketing agencies to encourage efficient electricity use.

**Nuclear Science:
Accelerator Technology for Tritium Production Needs Further Study**

GAO/RCED-92-1, Oct. 31 (21 pages).

Has the Department of Energy (DOE) given full and fair consideration to using a particle accelerator for tritium production? In a 1987 report, DOE's Energy Research Advisory Board assessed the feasibility of using an accelerator to produce tritium. GAO concludes that the criteria used to assess the accelerator technology did not provide the flexibility necessary to assess and report on the advantages of relatively small-size accelerators. Cost estimates for accelerators to produce tritium are very uncertain because a detailed design has not been done. Further study is needed to develop meaningful cost estimates. Recent decreases in projected tritium needs for servicing existing and planned nuclear weapons, and a new target concept for the accelerator technology may provide significant benefits. The projected decrease in the need for tritium could make the small accelerators more attractive because they may be capable of meeting future tritium needs, thus reducing the amount of electric power needed for the process. In addition, the successful development of the helium-3 target could almost eliminate radioactive waste from the tritium production cycle. While GAO takes no position on constructing an accelerator for the production of tritium, it does believe that it is valid technology deserving of more balanced consideration.

**Energy Management:
DOE Has an Opportunity to Improve Its University of California Contracts**

GAO/RCED-92-75, Dec. 26 (16 pages).

The Department of Energy (DOE) is negotiating extensions of its management and operating contracts with the University of California for the

Lawrence Livermore National Laboratory, the Lawrence Berkeley Laboratory, and the Los Alamos National Laboratory. GAO believes that these contract renegotiations afford DOE an opportunity to institute changes that will help ensure that the three laboratories are run effectively and efficiently. Under its current contracts with the University, DOE lacks the authority to direct changes to the laboratories' procurement and property management policies and procedures. The nonstandard procurement and property management clauses in the current contracts have precluded timely corrective action in these areas and have permitted costly procurement actions that do not comply with DOE's policies and procedures. In addition, the University's contracts include a number of other nonstandard clauses that can further limit DOE's effective oversight of the contracts, such as the nonstandard allowable costs clause. GAO strongly supports DOE's (1) goal of including as many standard clauses in the contracts as possible and (2) decision to have any deviations fully justified and approved by DOE's top management.

Environmental Protection

Hazardous Waste: DOD Estimates for Cleaning Up Contaminated Sites Improved but Still Constrained

GAO/NSIAD-92-37, Oct. 29 (20 pages).

A number of factors have affected the Defense Department's (DOD) ability to reliably estimate how much it will cost to clean up its hazardous waste sites. These factors include the following: (1) not all the sites that DOD may ultimately have to clean up have been identified; (2) studies to identify the contaminants in the sites have not been finished; (3) some installations will now require more extensive cleanup than anticipated; and (4) the timing of the cleanup is unknown and the longer it takes DOD to begin the cleanup, the higher the cost could be. In developing its latest cost estimate of \$24.5 billion, DOD has actively involved the services and has used historical costs rather than projections. Because DOD is still assessing the cleanup required and is identifying more sites, however, future DOD estimates may be even higher.

**Toxic Substances:
Status of EPA's Reviews of Chemicals Under the Chemical Testing
Program**

GAO/RCED-92-31FS, Oct. 31 (52 pages).

More than 60,000 chemicals are used commercially in this country, some of which have been shown to cause tumors, birth defects, and cancer. Other chemicals may be just as harmful, but adequate data do not exist to make that determination. The Environmental Protection Agency (EPA) may require chemical manufacturers and processors to test these chemicals for health and environmental effects and submit the results to EPA, which can then assess them and regulate those chemicals found to present unreasonable risks. In June 1991, GAO reported that since the Passage of the Toxic Substances Control Act of 1976, EPA had received test results for only 22 chemicals. As of June 1991, EPA had reviewed results for 16 of the 22 chemicals. EPA has decided to take no further action on eight of the 16 chemicals reviewed. Of the remaining eight chemicals, four have been referred to other federal agencies and EPA offices for possible regulatory action, two are being considered for more testing, and two are undergoing further ongoing testing.

**Superfund:
EPA Could Do More to Minimize Cleanup Delays at the Clark Fork
Sites**

GAO/RCED-92-20, Nov. 21 (69 pages).

Mining and smelting activities over the last century have contaminated land and water in western Montana's Clark Fork River Basin with hazardous wastes. Because these wastes include known or suspected carcinogens, the Environmental Protection Agency (EPA) established four Superfund sites in the river basin. GAO found that while cleanup work has been under way at these sites since 1984, little progress has been made; only two of the sites' 23 contaminated areas have been completely cleaned up. The Clark Fork master plan, developed in 1988 by EPA and the Montana health department to coordinate cleanup work, did not provide a workable sequencing of cleanup activities or realistic milestones. A revised plan addresses limitations of the 1988 plan, but EPA needs to improve its strategy for monitoring the plan's implementation. EPA has tried to address problems at Clark Fork and other sites across the country, such as lack of public participation in cleanup planning, but further cleanup delays are likely because of disagreements over soil

cleanup levels, EPA's model provisions for cleanup agreements, and public concerns over cleanups. EPA also has been slow to issue letters demanding reimbursement from responsible parties for Clark Fork cleanup costs partly because of staffing shortages. As a result, GAO estimates that the government has lost as much as \$750,000 in interest income. GAO believes that EPA may find it cost beneficial to request more staff resources.

Financial Institutions

Securities Industry: SEC Leadership Needed to Further Automate Securities Transfers

GAO/IMTEC-92-4, Dec. 11 (14 pages).

As a result of U.S. securities markets' continued reliance on physical securities certificates, risks and inefficiencies in settling trades persist. For example, the Securities and Exchange Commission (SEC) reported in 1990 that \$2.6 billion in certificates had been lost or stolen. Furthermore, physical certificate transfers remain an obstacle to the goal of shortening U.S. settlement time from five to three working days. Although U.S. markets have reduced the use of physical certificate transfers for institutional investors and other large traders, physical certificates continue to be relied on to settle many small or retail investor trades. The prospects for automating these transfers are uncertain because SEC and the securities industry have not agreed on how to resolve this problem. A main obstacle is the potentially adverse effect such a change would have on retail investors who request and receive certificates in settling their transactions. Legal concerns also need to be resolved before physical certificates are eliminated. Failure by U.S. securities markets and regulators to cut settlement time and risks could cause international investors to resort to foreign markets that offer more efficient settlement services.

Equal Credit Opportunity Act: OCC Should Further Review First Chicago's Screening Test for Credit Card Holders

GAO/GGD-92-4, Dec. 12 (16 pages).

First Chicago, with almost 7 million credit card accounts, is the seventh largest issuer of credit cards in the country. Concerned with rising losses due to cardholder bankruptcies, First Chicago began in 1990 to look at cutting losses by reviewing credit card accounts earlier than its normal

two-year interval. First Chicago's choice of its 1.7 million cardholders in northeastern states for a test was based on data that showed that bankruptcy rates were increasing most rapidly in this region. Through a series of credit screening procedures, First Chicago decided which cardholders' credit would be reduced or canceled. The Office of the Comptroller of the Currency (OCC) reviewed First Chicago's test in the Northeast and concluded that it did not constitute a discriminatory credit practice as defined by current laws and regulations. GAO found that OCC had based its conclusions on a description of the test provided by bank officials and on its analysis of the Equal Opportunity Act and Regulation B, which prohibit discrimination in credit transactions on the basis of race, sex, and marital status. GAO concludes that First Chicago's test—on its face—did not discriminate against credit card holders in the Northeast. Although First Chicago used geography in its test, that characteristic is not prohibited under the act. The screening practices could still violate the act, however, if they have the effect of discriminating against protected individuals.

Financial Management

Inspectors General: Issues Involving the Farm Credit Administration's Chairman and IG

GAO/AFMD-92-27, Nov. 29 (12 pages).

For fiscal year 1990, the Chairman of the Farm Credit Administration (FCA) rated the Inspector General's (IG) performance "minimally successful" because the IG did not adequately comply with government auditing standards and did not meet certain annual audit planning requirements. GAO concludes, however, that 31 of the 36 examples used by the Chairman to support the IG's performance appraisal did not show a lack of compliance with government auditing standards. The remaining five examples, which were found in one audit report, did not satisfactorily comply with some aspects of the government auditing standards on reporting, although FCA did agree with the report's overall conclusions and recommendations. GAO concludes that the IG's overall rating of minimally successfully was unsupported by the performance appraisal. This report also discusses issues relating to the IG's position description and performance plan, FCA management's understanding of the IG's reporting role, FCA announcements of the Office of the Inspector General's existence and purpose, and the Office of the Inspector General's access to FCA records.

Financial Audit:
FSLIC Resolution Fund's 1990 and 1989 Financial Statements

GAO/AFMD-92-22, Dec. 17 (33 pages).

This report presents the results of GAO's audits of the FSLIC Resolution Fund's financial statements for 1990 and 1989. Significant uncertainties surround the Fund's ultimate cost of assistance to troubled thrift institutions and the Fund's recoveries from the sale of its assets. Due to the continuing recession and the overbuilt real-estate market—factors largely outside the Fund's control—GAO could not assess the reasonableness of the Fund's estimated liability for assisted thrifts and its estimated recoveries from asset sales. Therefore, GAO expresses no opinion on the Fund's statements of financial position; however, the Fund's statements of cash flows present fairly, in all material respects, the Fund's cash flows. Congress appropriated \$22 billion for fiscal year 1991, most of which was expected to be used to reduce the cost of the Fund's assistance obligations. Since most of these actions had not been planned as of the end of 1990, however, the 1990 financial statements do not fully reflect the potential savings from use of this appropriation.

Financial Management:
DOD Faces Implementation Problems in Stock Funding Repairable Inventory Items

GAO/AFMD-92-15, Dec. 26 (18 pages).

A "repairable" is an item that, if damaged or worn, can be fixed or overhauled for less than the cost of a new item. Under the Department of Defense's (DOD) initiative to finance repairable items through the military services' stock funds, customers—military units or organizations—will be provided money to buy repairable items from the respective services' stock funds, rather than receiving them free from centrally funded supply operations. DOD values its repairables inventory at \$73 billion. In June 1991, GAO reported that DOD needed to standardize its policies on the pricing and valuation of repairable items. (See GAO/AFMD-91-40.) This report discusses (1) implementation problems that the Navy has experienced since it began financing aviation repairables through its stock fund in 1985 and steps it has taken to solve those problems, (2) current Army and Air Force efforts to begin financing repairables through their stock funds, (3) the impact that repairables financing had on the Army's and Air Force's development of their fiscal

year 1992 budget requests, and (4) the presentation of repairables data in DOD's fiscal year 1992 budget justification.

Financial Audit:
House Beauty Shop Revolving Fund Financial Statements for 1990 and 1989

GAO/AFMD-92-3, Dec. 27 (14 pages).

GAO audited the balance sheets of the House of Representatives Beauty Shop Revolving Fund for 1990 and 1989 and the related statements of operations and cash flows for those years. In GAO's opinion, the financial statements present fairly, in all material aspects, the financial position of the House Beauty Shop Revolving fund for 1990 and 1989 and the results of its operations and cash flows for those years in conformity with generally accepted accounting principles.

Testimony

Comprehensive Deposit Insurance Reform and Taxpayer Protection Act of 1991: Observations on Accounting Reforms and Funding for the Bank Insurance Fund, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-AFMD-92-3, Dec. 11 (15 pages).

The Comptroller General's testimony focuses on the Comprehensive Deposit Insurance Reform and Taxpayer Protection Act of 1991 recently passed by Congress. This legislation contains accounting, auditing, and regulatory reforms that are urgently needed to strengthen the safety and soundness of the banking system as well as to give regulators a more accurate early warning of emerging problem institutions. The Comptroller General discusses two critical components of the legislation—the level of funding the bill provides for the Bank Insurance Fund and the accounting reforms. In particular, GAO is concerned that a new interagency policy statement on how regulators are to classify real estate assets held by banks and thrifts may seriously add to the problem of unreliable financial data by allowing assets to be over-valued, with losses hidden.

Government Operations

Government Contractors: Are Service Contractors Performing Inherently Governmental Functions?

GAO/GGD-92-11, Nov. 18 (136 pages).

Who—government employees or contractors—should determine the eligibility of government employees for security clearances, run prisons, or assess the effectiveness of weapons systems being developed? Such questions are central to the continuing debate over whether contractors should assume certain governmental duties and what controls or limitations should be placed on the government's authority to contract out these functions. None of the documents GAO reviewed clearly defined inherently governmental functions. The Office of Management and Budget (OMB) could improve its current guidance by defining governmental functions in terms of relative responsibilities of the government and contractors. OMB, guided by this concept, should develop a short generic list of inherently governmental functions. In addition, agencies should develop their own supplemental guidance. Although most of the contracts GAO reviewed seemed appropriate for contractors to administer on the basis of existing OMB and agency policy guidance, GAO found that the Department of Transportation, the Department of Energy, and the Environmental Protection Agency may have contracted out for some activities involving governmental functions. Because of the difficulty in defining governmental functions, however, GAO could not definitively conclude that these activities involved such functions. In addition, some agency officials said that one of the major reasons that agencies used contractors to administer functions that might be considered inherently governmental was the lack of federal positions for employees and the lack of federal employees with sufficient expertise to do the work.

1990 Census: Limitations in Methods and Procedures to Include the Homeless

GAO/GGD-92-1, Dec. 30 (19 pages).

This report focuses on the Census Bureau's Shelter and Street Night (S-Night) Operation, which was meant to include the homeless population in the census. GAO concludes that the results of S-Night cannot be used to construct a count of the nation's homeless at any level of geography because S-Night was not designed to capture all of the nation's homeless population. In addition, the chosen method of enumerating selected shelter and street locations at night resulted in an unknown number of

the hidden homeless being missed and a lack of assurance that those counted were homeless and would not also be counted during other census operations. These methodological limitations, combined with the operational problems the Bureau experienced with the street count, resulted in S-Night street data that have limited value in meeting needs for information on the number of homeless and their characteristics.

Health

Breast Cancer, 1971-91: Prevention, Treatment, and Research

GAO/PEMD-92-12, Dec. 11 (48 pages).

Twenty years ago, President Nixon launched the “war on cancer” with the signing of the National Cancer Act. This report reviews progress in prevention and treatment of breast cancer over the past two decades and determines what kinds of research are needed to help prevent breast cancer and improve survival rates. GAO concludes that while many breast cancer patients are living longer and their quality of life has improved, the struggle against the “dread disease” has not been won. The expectation is that the coming year will see more women stricken with the disease and more women dying from it than two decades ago. On the positive side, medical detection, diagnosis, and treatment of breast cancer have improved because of widespread availability of technologies like mammography. In addition, breast cancer surgery has been refined, with the Halstead, or radical mastectomy—and its disfiguring results—becoming much rarer. However, GAO concludes that gaps in fundamental knowledge of breast cancer (causes and their mode of operation) are critical obstacles to more effective detection, diagnosis, and treatment. Further, identifying chains of events leading to the onset of breast cancer and learning how to interrupt those sequences are the primary prerequisites for preventive measures. GAO summarized this report in testimony before Congress; see:

Breast Cancer: Progress to Date and Directions for the Future, by Richard L. Linster, Director for Planning and Reporting in the Program Evaluation and Methodology Division, before the Subcommittee on Human Resources and Intergovernmental Affairs, House Committee on Government Operations. GAO/T-PEMD-92-4, Dec. 11 (six pages).

**Long-Term Care Insurance:
Risks to Consumers Should Be Reduced**

GAO/HRD-92-14, Dec. 26 (26 pages).

The National Association of Insurance Commissioners' (NAIC) long-term care insurance standards, which provide a national model for the states, have improved significantly in the past five years. Although state standards have also improved, many states have not adopted key NAIC standards, and insurers have not incorporated more recent NAIC standards into their policies. In addition, NAIC standards do not adequately address several significant issues. For example, the absence of uniform terms, definitions, and eligibility criteria makes it hard for consumers to understand what benefits will be provided under what circumstances and how certain provisions can limit eligibility. Consumers also face considerable pricing risks, such as unpredictable pricing increases, that may force many policyholders to lapse policies and lose their investment in premiums. Finally, in the absence of standards, consumers are limited in their options to upgrade policies and are vulnerable to sales abuses created by high first-year commissions for insurance agents. GAO believes that additional standards are needed to address these issues. While these standards would likely increase premiums, GAO believes that they would significantly improve consumer protection in a rapidly evolving, complex market. Many states still have not adopted NAIC standards, however, and Congress may want to pass legislation setting minimum federal standards for long-term care insurance.

Income Security

**Private Pensions:
IRS Efforts Under Way to Improve Spousal Consent Forms**

GAO/HRD-92-31, Dec. 20 (10 pages).

In 1989 GAO reported on the need for informative and understandable spousal consent forms for private pension plans. Since then, IRS has published two pamphlets to inform spouses about survivor benefits but has neither required employers to include the information GAO recommended on spousal consent forms nor developed non-technical-language examples. In December 1991, however, IRS began work on regulations that would require forms to contain the needed information—including the survivor benefit's estimated dollar amount and the consequences of waiving the benefit. IRS has also started to develop language examples.

In GAO's view, consent forms should also state (1) that the spouse's decision to waive survivor benefits is voluntary and (2) whether a spouse has the right to revoke an earlier decision. This information would further help spouses make well-informed decisions about survivor benefits. IRS has agreed to consider requiring this information on consent forms in its regulations.

Information Management

Computer Operations: FAA Needs to Implement an Effective Capacity Management Program

GAO/IMTEC-92-2, Nov. 27 (33 pages).

To ensure safe air travel, establish regulatory standards, maintain security, and promote air commerce, the Federal Aviation Administration (FAA) requires vast amounts of information technology. Computers are especially critical in controlling over 200,000 flights across the nation daily. Although FAA has recently made some limited improvements, it has not implemented a comprehensive limited capacity management program for its major automated systems because such a program is not a priority. As a result, FAA lacks adequate computer capacity management policies, procedures, expertise, and tools. Without a comprehensive program, FAA does not know how long current systems, such as those air traffic controllers use to separate aircraft, will continue to meet capacity requirements, nor does it know its future capacity needs.

International Affairs

U.S.-Mexico Trade: Survey of U.S. Border Infrastructure Needs

GAO/NSIAD-92-56, Nov. 27 (52 pages).

Trade and commercial traffic between the United States and Mexico has burgeoned in recent years. The capacity of existing border infrastructure to accommodate traffic is being strained, and anticipated trade expansion will likely intensify traffic pressures at the border. This report provides information on (1) current and anticipated staffing requirements of the U.S. Customs Service and the Immigration and Naturalization Service; (2) the General Services Administration's planning for border inspection facilities needs; (3) estimates for border highways and bridge projects and associated costs in Texas, New Mexico, Arizona,

and California; and (4) coordination in border management and planning efforts.

**State Department:
Management Weaknesses in the Security Construction Program**

GAO/NSIAD-92-2, Nov. 29 (39 pages).

The \$2.1 billion Diplomatic Security Construction program was started in 1986 to build secure new diplomatic facilities at high-risk posts around the world. Initially, the State Department took a number of steps to improve program execution, including reorganizing the Office of Foreign Buildings Operations and contracting with Sverdrup Corporation for construction support services. Moreover, the Office of Foreign Buildings Operations was authorized to add 133 new staff positions. Nevertheless, the State Department has made limited progress so far in implementing the program and still lacks reasonable assurances that its security construction program objectives are being met. Several factors have contributed to delays and cost increases. These include difficulties in filling authorized staff positions at the Office of Foreign Buildings Operations, the division of responsibilities between the Office of Foreign Buildings Operations and the Bureau of Diplomatic Security for construction security management, poor program planning, problems with site acquisition, changes in security requirements, and inadequate contractor performance. GAO concludes that the scope and magnitude of project delays and cost increases indicate systemic weaknesses in program management. The State Department has recently acted to improve security construction.

**Developing Country Debt:
Debt Swaps for Development and Nature Provide Little Debt Relief**

GAO/NSIAD-92-14, Dec. 9 (17 pages).

A debt swap is a form of debt conversion in which external hard currency debt is traded for local currency or debt denominated in local currency. Debt-for-nature swaps support specific environmental projects, such as designation and management of protected areas, development of conservation management plans, training of park personnel, and environmental education activities. Development swaps support activities like microenterprise, education, training, health, agriculture, and other development activities. This report (1) discusses the number of developing countries that have participated in debt swaps, the extent to

which these debt swaps have reduced total external debt, and the number of programs undertaken; (2) assesses the advantages and disadvantages of debt swaps and the efforts of the Agency for International Development to support private voluntary organizations that participate in such swaps; and (3) provides information on whether the World Bank implemented the Department of the Treasury's April 1988 recommendations on debt-for-nature swaps.

Refugees:

U.S. Assistance to Bulgarian Ethnic Turks in Turkey

GAO/NSIAD-92-59, Dec. 18 (eight pages).

Ethnic Turks began fleeing Bulgaria in large numbers in May 1989 to escape oppression by the Bulgarian government. Three months later, about 320,000 of these refugees had arrived in Turkey; about 100,000 Bulgarian ethnic Turks later returned to Bulgaria. Congress earmarked about \$10 million later that year for food, shelter, and other basics to help Turkey assimilate the remaining 220,000 Bulgarian ethnic Turks. GAO reviewed the project to assist Turkey with the resettlement and assimilation of these refugees. This report (1) determines how the project to assist the Bulgarian ethnic Turks was developed, (2) assesses the management and progress of the project, and (3) identifies the amount of project funds distributed so far.

**Justice and Law
Enforcement**

Mentally Ill Inmates:

BOP Plans to Improve Screening and Care in Federal Prisons and Jails

GAO/GGD-92-13, Nov. 20 (23 pages).

The Federal Bureau of Prisons (BOP) has a substantial number of mentally ill inmates, not all of whom have been diagnosed and treated—some because they have successfully adjusted to prison life and others because they have refused treatment, have been incompletely screened, or have lacked access to treatment resources. While BOP officials maintain that inmates with serious mental problems are identified and receive treatment before being released, a 1990 advisory group made extensive recommendations on improving BOP's mental health care services. GAO believes that these recommendations and BOP's actions to implement them signal a willingness to address resource and screening problems and to establish a framework for this understanding. Given

the challenges BOP faces, however, it remains to be seen how thorough and effective BOP will be in implementing all of its plans.

**U.S. Courts:
Estimated User Fee to Pay for New Facilities**

GAO/GGD-92-8BR, Dec. 10 (19 pages).

The General Services Administration (GSA) is struggling financially to provide courtrooms and related space for the growing number of new judges. The Administrative Office of the U.S. Courts has requested that the Courts be given independent authority to acquire its own space and facilities. Under a suggested user fee concept, the Courts would collect a fee from all litigants to offset costs of capital projects, such as the construction of new courthouses, or alterations of other government-owned buildings housing the Courts. Concerns have been raised that user fees would increase the cost of filing a case—potentially preventing those who believe that they have legitimate complaints from using the judicial system. Using three estimates of capital costs and the three levels of federal court cases filed, GAO estimates that user fees would range from \$79 to \$536 per case. This report also provides information on the amount of GSA space, revenues, and costs that are attributable to the Courts and information on the Courts' obligations, numbers of judge-ships, revenues, and case filings.

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

**DOD Medical Inventory:
Reductions Can Be Made Through the Use of Commercial Practices**

GAO/NSIAD-92-58, Dec. 5 (38 pages).

The Defense Department's (DOD) health care system can save millions of dollars by increased use of inventory management practices pioneered by leading civilian hospitals. Military medical facilities and warehouses GAO visited hold layers of supplies to satisfy peacetime requirements and also provide initial supplies for wartime. The warehouses GAO visited held additional inventory that would last for 36 to 95 days. Finally, the Defense Logistics Agency stores additional supplies that would last about 250 days. In contrast, very progressive civilian hospitals maintain much smaller levels and fewer layers of supplies and have no depot system. These hospitals, through improved ordering systems, standardization of supplies, and better communication with vendors, have greatly reduced supply inventories and have vendors deliver supplies where

and when they are needed. Both DOD and the Department of Veterans Affairs are trying to improve their medical logistics. GAO summarized this report in testimony before Congress; see:

DOD Medical Inventory: Reductions Are Possible Through the Use of Commercial Practices, by Donna M. Heivilin, Director of Logistics Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-NSIAD-92-6, Dec. 5 (13 pages).

**Ozone-Depleting Chemicals:
Increased Priority Needed If DOD Is to Eliminate Their Use**

GAO/NSIAD-92-21, Nov. 13 (31 pages).

The Defense Department (DOD) has taken some steps over the last four years to reduce its use and emissions of ozone-depleting chemicals. It has not, however, taken other actions that are critical to phasing out these regulated chemicals cost-effectively. Specifically, DOD has not sufficiently (1) clarified critical use; (2) identified specific chemical uses and quantities; (3) given priority to research, development, and testing activities required to implement successful alternatives; (4) justified the need to install equipment that uses regulated chemicals in new and existing systems; and (5) revised or changed its military specifications and standards to facilitate the use of substitutes or alternative technologies. Unless DOD acts now in several key areas, it will likely have to continue using ozone-depleting chemicals for many years after the scheduled production phase-out.

**Longbow Apache Helicopter:
Key Factors Used to Measure Progress in Development Need to Be Changed**

GAO/NSIAD-92-43, Nov. 21 (26 pages).

The Army plans to spend about \$5.4 billion to modify 227 AH-64 Apache helicopters into Longbow Apache helicopters. The modifications include the addition of a new radar technology designed to increase the Apache's ability to destroy tanks and other enemy equipment. As presently planned, the Longbow Apache schedule should allow for the orderly development of technology and provides decision points for assessing programs on the basis of test information and other developments. The Army's challenge will be to keep the program focused on

developing the necessary technology, while carefully weighing funding cuts and the impact of any deviations from planned actions. Although the Army is committed to acquiring a supportable Longbow Apache, weaknesses in the program's requirements may preclude an accurate assessment of the support the helicopter will require when fielded. While indicating that more comprehensive requirements will be used for the Longbow system, the Army plans to use the same narrowly defined requirements to measure the reliability of the integrated aircraft as it used in evaluating the Apache. Doing so will yield the same results as it did with the Apache—a technologically imbalanced helicopter that is inadequately supported. Similarly, the Army does not plan to measure required maintenance man-hours that fully reflect the Longbow Apache's expected maintenance needs. The Army plans to measure maintenance man-hours for the Longbow Apache in the same way it did for the Apache. In the case of the Apache, its true maintenance needs were masked, and Army maintenance units were understaffed.

**Defense Inventory:
Information on Fiscal Year 1992 Secondary Item Funding**

GAO/NSIAD-92-34FS, Nov. 21 (six pages).

In March 1991, the Defense Department (DOD) estimated in its Inventory Reduction Plan Progress Report that its stock funds would spend \$25 billion in fiscal year 1992 to buy secondary items and run supply centers. DOD also estimated in its Defense Business Operations Fund Overview that its stock funds would sell about \$23 billion in secondary items to DOD components in fiscal year 1992. GAO found that DOD requested \$21 billion in fiscal year 1992 appropriations: \$2.4 billion for its stock funds to procure and repair Army and Air Force items at the depot level and purchase Air Force war reserves and \$18.6 billion for DOD components to buy secondary items. Of the \$18.6 billion requested for DOD components, \$16.6 billion would be used to purchase secondary items from DOD stock funds. The \$16.6 billion request was less than the \$23.1 billion estimate because DOD budget documents did not always identify funds requested for secondary items and because stock fund sales included sales between stock funds, which do not affect the need for appropriations.

**Navy Supply:
Some Aircraft and Ship Parts Should Be Replaced Rather Than
Repaired**

GAO/NSIAD-92-40, Dec. 2 (39 pages).

In fiscal year 1990, the Navy obligated \$1.1 billion for depot-level repair of aircraft and ship components. Although the Navy has policies to prevent unnecessary repairs, the Aviation Supply Office and the Ships Parts Control Center—the inventory control points—are not following them. As a result, the Navy is spending considerable sums to repair items that are excess or that could be replaced at less cost. In addition, many of the Navy's data used in managing the repair program are inaccurate. Reliance on inaccurate data often results in overestimation of item requirements and, ultimately, excess assets.

**Army Training:
Changing Threat Not Expected to Significantly Affect Combat
Training**

GAO/NSIAD-92-8, Dec. 10 (14 pages).

Recent world events, such as the reunification of Germany, the demise of the Warsaw Pact, and the breakup of the Soviet Union, have changed the types of threats the United States will face in the future. The Army is reviewing its recent assessment of the changed threat's impact on its training strategy for combat forces. Although the review is not yet complete, the Army does not expect major revisions to its training strategy. Army combat units are now structured and trained to respond to various threats ranging from special operations to a large-scale war. The Army will continue to train combat forces to meet a Soviet threat. It will also train forces to meet other threats, however, and the Army can adjust its training to depict virtually any type of threat scenario.

**B-2 Bomber:
Logistics Cost Issues and Construction Planning**

GAO/NSIAD-92-22, Dec. 11 (13 pages).

The cost to logistically support the B-2 depends on the reliability of its subsystems, components, and parts. Past reliability problems on other weapon systems suggests that the Air Force's estimates of B-2 logistics costs may be optimistic. Undefined maintenance processes for low

observable technologies, increased emphasis on using the B-2 in a conventional role, and the continuing need to change the design of the aircraft and its components also indicate that the Air Force may have difficulty achieving its logistics cost estimates for a 75-aircraft program. The Air Force has had problems synchronizing construction projects with changing aircraft delivery dates. Because the Air Force had little flexibility to adjust its approved military construction plans when program delays occurred, several construction projects at Whiteman Air Force Base were completed at least three to four years before required. The personnel system can be adjusted more quickly to revised aircraft delivery dates than can construction projects. Air Force planners made substantial changes to personnel assignments that precluded the premature assignment of personnel to Whiteman Air Force Base.

**Military Aid:
Stronger Oversight Can Improve Accountability**

GAO/NSIAD-92-41, Dec. 16 (49 pages).

The United States provides billions of dollars of military aid annually to foreign countries. Yet the Department of Defense (DOD) is not closely monitoring how recipient countries are using U.S.-funded defense items, and it lacks reasonable assurance that countries are complying with legislatively required commitments regarding item use. Legislation requiring U.S. monitoring does not specifically apply to military aid that has been provided after fiscal year 1981. DOD regulations do not contain accountability standards or indicate what level of U.S. oversight is appropriate. U.S. observation and reporting on host country use of U.S.-funded items are limited and done as a secondary duty. Although recipient countries exert controls over U.S.-funded items, control weaknesses and instances of misuse suggest that the emphasis on accountability has been insufficient.

**Naval Aviation:
Changes in Naval Aviation Budgets Since A-12 Termination**

GAO/NSIAD-92-46, Dec. 19 (12 pages).

In the 1980s, the Navy began a program to replace its aging fleet of A-6 medium attack aircraft with a new aircraft—the A-12—that would incorporate stealth technology and could be launched from an aircraft carrier. In January 1991, the Navy canceled the A-12 contract due to problems the contractors had in executing the contract. This report

details the status of A-12 appropriations and the expenditures that are planned because of the termination. It also discusses the lawsuit filed by the A-12's contractors against the government.

**Operation Desert Storm:
Transportation and Distribution of Equipment and Supplies in
Southwest Asia**

GAO/NSIAD-92-20, Dec. 26 (17 pages).

GAO reviewed the Defense Department's capabilities to distribute equipment and supplies during Operation Desert Storm. Specifically, this report discusses the Army's, the Marine Corps', and the Air Force's capability to (1) unload equipment and supplies at seaports and airports; (2) store and retrieve assets; (3) transport supplies and equipment to forward-deployed logistic bases and units; and (4) provide security at ports of entry, in warehouses, and during the surface transportation of assets.

**DOD Commercial Transportation:
Savings Possible Through Better Audit and Negotiation of Rates**

GAO/NSIAD-92-61, Dec. 27 (61 pages).

The Defense Department (DOD) spends about \$3 billion a year for commercial transportation services to move cargo, personnel, and their personal effects worldwide. DOD sometimes overpays its transportation bills or does not effectively negotiate for reduced rates. This report (1) looks at whether DOD is preventing excess payments to commercial carriers through preauditing—that is, auditing bills before payment—and (2) identifies other areas in which DOD could improve its traffic and travel management programs.

**Military Space Operations:
Satellite Control System Improved, But Serious Problems Remain**

GAO/IMTEC-92-3, Dec. 27 (47 pages).

Defense Department satellites support national security, as well as assist in research and development. Since 1980 the Air Force has been upgrading its satellite command and control system. GAO reviewed the Air Force's efforts to complete the system upgrade and turn it over to Air Force Space Command in July 1993. The Air Force's ability to meet

that deadline is questionable and depends largely on whether it can fix the system's critical operational deficiencies. Further, the system may be unable to provide the needed capacity and performance because the Air Force has not (1) adequately defined work load requirements for the system, (2) adequately tested the system, (3) set up an effective capacity and performance management system, or (4) obtained adequate software documentation. If these problems are not resolved quickly, the Air Force will be forced to continue using the Current Data System for some command and control functions and spending \$30 million annually on that system, which is considered outdated.

**Mine Warfare:
Ingleside, Texas, May Not Be the Best Location for
Consolidation**

GAO/NSIAD-92-63, Dec. 27 (seven pages).

GAO endorses the Navy's efforts to strengthen management of mine warfare forces by giving the Mine Warfare Command operational control of ships, helicopters, and associated explosive ordnance disposal detachments. If the Navy provides the needed resources to effectively manage these forces, holding the Mine Warfare Command accountable could improve oversight and direction of mine warfare activities. The Navy's efforts to consolidate its mine warfare forces at a new strategic homeport at Ingleside, Texas, should be suspended, however. Consolidation at Ingleside involves unknown costs and other problems that have not been adequately studied. Locating mine warfare forces at an existing base on both the East and West Coasts may be much less costly and more advantageous than correcting known deficiencies, like the inability to train with deploying carrier or amphibious battle groups. Also, other factors may counter the advantages the Navy hopes to gain by consolidating these forces at Ingleside.

**Defense Management:
DOD's Estimated Savings for Printing Consolidation**

GAO/NSIAD-92-66, Dec. 31 (22 pages).

In September 1990 testimony before Congress (see GAO/T-NSIAD-91-54) on DOD's plans to consolidate the printing and duplicating functions of the Army, Air Force, Marine Corps, and the Defense Logistics Agency, GAO indicated that (1) the comparability of costs used to develop a savings estimate could not be validated, (2) some of the assumptions used to

determine the savings estimate were questionable, and (3) specific plans or decisions as to how and where the savings would be achieved had not been made. Since then, DOD has delayed the consolidation and has provided GAO with more data on its consolidation plans and savings estimate. After reviewing this additional data, GAO concludes that DOD's estimate still has many of the same problems GAO reported in its testimony.

Natural Resources

Groundwater Protection: Measurement of Relative Vulnerability to Pesticide Contamination

GAO/PEMD-92-8, Oct. 31 (48 pages).

This report evaluates the feasibility of differentially protecting groundwater from pesticide contamination on the basis of the relative vulnerability of different geographic areas—an approach being considered by the Environmental Protection Agency (EPA). It also discusses the degree to which states and counties are uniform in their susceptibility to groundwater contamination. Finally, the report describes the degree to which two common measures of relative vulnerability diverge in identifying areas that are susceptible to contamination.

Wetlands Preservation: Easements Are Protecting Prairie Potholes but Some Improvements Are Possible

GAO/RCED-92-27, Nov. 7 (18 pages).

Wetlands protected under the Small Wetlands Acquisition Program are located mainly in the Prairie Pothole Region in the upper Middle West, including parts of Montana, the Dakotas, Iowa, and Minnesota. Prairie potholes are shallow, freshwater depressions and marshes that were created by glaciers thousands of years ago. Loss of such habitat is a major reason why some duck populations, such as mallards and pintails, have declined about 60 percent over the past 50 years. The Small Wetlands Acquisition Program has successfully helped preserve wetlands in the Prairie Pothole Region, primarily because the Fish and Wildlife Service has effectively enforced easements on wetlands. GAO believes that the program could be made even better if the Fish and Wildlife Service were to correct weaknesses in the (1) documentation of waterfowl's use of wetlands under easement and (2) guidance involving the timeliness

with which damaged wetlands are restored and the circumstances under which violators should be issued notices and assessed fines.

**Mineral Resources:
Federal Helium Purity Should Be Maintained**

GAO/RCED-92-44, Nov. 8 (12 pages).

GAO is examining various proposals on how to best meet the government's need for helium, which has applications in the space program, weapon systems, and medical and scientific projects. The Department of the Interior's Bureau of Mines manages the federal helium program. During its review, GAO became aware of a Bureau practice that may cause accelerated degradation of the purity of stored federal helium. Under the terms of its storage contracts with private companies, the Bureau may restrict the rate at which privately owned helium is extracted from Cliffside—a natural gas field near Amarillo, Texas. Yet the Bureau has not imposed such a restriction pending a review of a 1989 Bureau study on this issue. Meanwhile, helium is being extracted at a rate that may degrade the purity of the remaining helium faster than would otherwise occur. Because larger volumes of the mixture of natural gas and helium must then be processed to extract and refine the less pure helium, the government could incur additional losses as high as \$23.3 million in 1991 dollars through 2050.

**Wetlands Overview:
Federal and State Policies, Legislation, and Programs**

GAO/RCED-92-79FS, Nov. 22 (93 pages).

In recent years, the value of wetlands—such as providing fish and wild-life habitat and abating erosion—have become better known. Unfortunately, an estimated 50 percent of all wetlands in the lower 48 states have already been filled or drained, and another 290,000 acres are being lost annually to agriculture and development. This fact sheet provides an overview of federal and state wetlands-related policies, legislation, and programs.

**Rangeland Management:
BLM's Hot Desert Grazing Program Merits Reconsideration**

GAO/RCED-92-12, Nov. 26 (68 pages).

The debate over the effects of domestic livestock grazing are particularly important in the Nation's so-called hot deserts—the Mojave, the Sonoran, and the Chihuahuan—because of the fragile ecosystems there and the length of time it takes for damaged areas to recover. GAO concludes that current livestock grazing activity on Bureau of Land Management (BLM) allotments in hot desert areas risks long-term environmental damage while not generating enough revenues to provide for adequate management. According to recent data, the economic benefits derived from livestock grazing on BLM lands in the hot desert areas are minimal. The primary economic benefits accrue to about 1,000 livestock operators who hold livestock grazing permit in these areas. Many of these operators derive little income from grazing the public lands and instead value the traditional lifestyle that ranching affords. Conversely, other public land users appreciate desert lands for environmental preservation and recreation reasons. GAO found that BLM lacks the staff needed to collect and evaluate data measuring the impact of livestock grazing on many desert allotments. Without these data, BLM is in no position to assess livestock usage of desert allotments and change usage as needed.

**Trans-Alaska Pipeline:
Ensuring the Pipeline's Security**

GAO/RCED-92-58BR, Nov. 27 (17 pages).

The Trans-Alaska Pipeline System is responsible for transporting nearly a quarter of the nation's domestically produced crude oil. This report reviews the security of the pipeline. It discusses (1) what federal and state agencies have done to assess the vulnerability of the pipeline to terrorists and (2) what these agencies and the Alyeska Pipeline Service Company have done to protect the pipeline.

**Federal Lands:
Status of Land Transactions Under Four Federal Acts**

GAO/RCED-92-70BR, Dec. 3 (20 pages).

This briefing report reviews the status of federal land transactions authorized under four acts—the El Malpais National Monument and National Conservation Area; the Nevada-Florida Land Exchange Authorization Act of 1988; the Apex Project, Nevada Land Transfer and Authorization Act of 1989; and the Targhee National Forest Land Exchange Act. GAO discusses (1) actions taken to complete the land transactions and (2) the use and development of the lands transferred out of federal ownership.

Social Services

**Homelessness:
Policy and Liability Issues in Donating Prepared Food**

GAO/RCED-92-62, Dec. 9 (10 pages).

To what extent do federal laws, regulations, or policies hinder federal facilities like cafeterias from making uneaten food available to the homeless? Of 14 federal Departments that maintain food service facilities, 13 said that they had little unconsumed food to donate. The remaining agency—the Defense Department—has only just begun its donation policy and could not estimate how much food might be available. Almost all of the Departments use food service contractors to run their facilities. These contractors are allowed to use their own discretion in donating food. None of the contractors GAO contacted had written policies on donating unconsumed food, but they said they do donate some food on an ad hoc basis. States have enacted food donation statutes, called good samaritan laws, that provide food donors various degrees of immunity from civil or criminal liability should someone become ill after eating donated food. Federal food service facilities that choose to donate food are covered by these statutes.

**Aging Issues:
Related GAO Reports and Activities in Fiscal Year 1991**

GAO/HRD-92-57, Dec. 17 (86 pages).

Today, about 32 million Americans are age 65 or older. By the year 2000, that number will swell to more than 52 million, and almost seven

million will be age 85 or older. Although most of the nation's elderly are healthy and independent, a growing number need help to maintain their independent and avoid hospitalization. This changing demography will continue to challenge both government and the private sector in the 1990s and beyond. This report is a compilation of GAO's fiscal year 1991 reports and testimony as well as ongoing work on older Americans. Topics covered include health, housing, income security, social services, and veterans affairs.

Tax Policy and Administration

Tax Administration: Standards Adhered to in Issuing Revenue Ruling 90-27

GAO/GGD-92-15, Nov. 19 (27 pages).

GAO found no evidence of any violations of recusal statements, federal conflict-of-interest law, regulations, or Standards of Conduct by Internal Revenue Service (IRS) officials in connection with the issuance of Revenue Ruling 90-27. The central question concerning this ruling, which involves financial instruments known as auction rate preferred stock, is whether such stock should have been characterized as debt or equity for tax purposes and whether it met the necessary holding period to qualify for the dividends-received deduction to the holder. GAO did find, however, that the ways in which the IRS Commissioner's and Chief Counsel's recusal statements were written could lead to some uncertainty as to the situations in which they applied. This situation exists because the recusal statements are written in such broad terms that they may lead to the impression that there is a violation when none has occurred. Finally, GAO did not find any instances in which IRS staff had failed to follow procedures in the *Revenue Ruling Handbook*. GAO is concerned, however, that IRS' reliance on individuals representing only one brokerage house—Shearson Lehman Hutton, Inc.—for consultations about auction rate preferred stock could be viewed as inappropriate, even though GAO found nothing improper about the actions Shearson's representatives had taken. Auction rate preferred stock, although now underwritten by many brokers, was originally marketed by Shearson, which, along with other brokers, issuers, and holders of such instruments, had a major stake in seeing that such stock was characterized as equity for tax purposes. GAO is troubled by Shearson's preeminent involvement.

**Tax Administration:
IRS' Implementation of the 1988 Taxpayer Bill of Rights**

GAO/GGD-92-23, Dec. 10 (31 pages).

While it is important for all citizens to pay their fair share of taxes, it is equally important for the Internal Revenue Service (IRS) to treat taxpayers fairly. GAO is generally satisfied with IRS' implementation of the Taxpayer Bill of Rights, which established rules and procedures for resolving problems arising from IRS' interpretation and administration of the tax laws. The act also stresses principles such as fairness, consistent application of laws and regulations, and the right of taxpayers to receive clear explanations of their tax situation. GAO believes that most IRS employees work diligently to treat taxpayers fairly and equitably. But IRS—an organization with 120,000 employees at over 700 locations who must administer complex tax laws—may not always provide taxpayers with the treatment to which they are entitled. For this reason, IRS will need to continually emphasize the act's requirements and measure performance in meeting its intent. GAO summarized this report in testimony before Congress; see:

Tax Administration: IRS' Implementation of the Taxpayer Bill of Rights, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Private Pension Plans and Oversight of the Internal Revenue Service, Senate Committee on Finance. GAO/T-GGD-92-9, Dec. 10 (eight pages).

**Internal Revenue Service:
Status of IRS' Efforts to Deal With Integrity and Ethics Issues**

GAO/GGD-92-16, Dec. 31 (45 pages).

In July 1991 testimony before Congress (GAO/T-GGD-91-58), GAO discussed IRS efforts to address integrity and ethics issues. This report provides information on IRS' responses to the recommendations in GAO's testimony, including the need to (1) improve employee communication and ethics awareness, (2) maintain the same level of national office oversight while processing all Inspector General findings, (3) publicize summary information about misconduct cases, and (4) periodically review IRS' disciplinary actions.

Transportation

Railroad Competitiveness: Federal Laws and Policies Affect Railroad Competitiveness

GAO/RCED-92-16, Nov. 5 (38 pages).

Regulatory reform in the 1970s and 1980s allowed railroads to better compete with trucks and barges for freight. As a result, the rail industry stemmed the decline in its share of the intercity freight market. Yet significant competitive challenges still face the industry. This report focuses on the federal laws that affect railroad labor costs and on the federal user fee policies that affect the costs of trucks and barges. Factors internal to the railroads, such as management, are not considered.

Aviation Safety: Problems Persist in FAA's Inspection Program

GAO/RCED-92-14, Nov. 20 (34 pages).

To ensure the safety of the flying public, the Federal Aviation Administration (FAA) inspects airlines for compliance with aviation regulations. Last year FAA inspectors identified about 300 regulatory violations and 1,900 unsafe practices on scheduled commercial airlines. Yet GAO found that FAA's inspection program may be falling short in ensuring the safe operation of airlines. FAA lacks adequate information to help oversee its inspection program. In addition, FAA cannot effectively evaluate airlines' safety conditions because it does not (1) have adequate guidance for properly classifying airline problems, (2) assess the conditions inspectors found or evaluate their severity, and (3) know whether airlines are correcting problems. Since FAA will never have enough money and manpower to inspect all carriers all the time, it needs to make more effective use of its limited resources. FAA's Program Tracking and Reporting Subsystem—a computer-based system designed to provide data for planning and overseeing FAA's inspection program—does little to help the agency decide which carriers need more inspections and which need less. A system to systematically and uniformly determine risk could provide FAA with information vital to enhancing its inspection program. Although FAA has monitored the Defense Department's system for years, it has done little, until recently, to apply the concept of risk assessment to the management of its inspection resources.

Veterans Affairs

VA Health Care: Compliance with Joint Commission Accreditation Requirements Is Improving

GAO/HRD-92-19, Dec. 13 (22 pages).

In April 1990, the Joint Commission on Accreditation of Healthcare Organizations told the Department of Veterans Affairs (VA) that VA medical centers did significantly worse than non-VA hospitals in accreditation surveys done from 1987 to 1989. These surveys showed that medical centers failed many key quality assurance elements more often than their non-VA counterparts. GAO found that VA medical centers surveyed in 1990 did substantially better than those surveyed in 1989. In addition, their overall compliance scores were close to those received by non-VA hospitals in 1990. Also, VA medical centers scored substantially higher on many key quality assurance elements that constitute the overall scores. This was a direct result of efforts by the VA central office, regional offices, and individual medical centers to ensure that medical centers were following Commission requirements and properly documenting their quality assurance activities.

Veterans' Benefits: Millions in Savings Possible From VA's Matching Program With IRS and SSA

GAO/HRD-92-37, Dec. 23 (eight pages).

The Department of Veterans Affairs (VA) administers \$30 billion in benefits and health care programs for veterans and their dependents. Eligibility for benefits and the level of benefits paid are often income dependent. GAO estimates that in 1984 VA may have made overpayments exceeding \$157 million because it lacked access to tax data that could have verified income reported by pension recipients. VA has been granted access—until September 1992—to Internal Revenue Service (IRS) and Social Security Administration (SSA) earnings records to verify the income reported by beneficiaries in the following four programs: (1) needs-based pension program, (2) parents' dependency and indemnity compensation program, (3) unemployability compensation program, and (4) medical care. VA's first computer match of reported income with IRS data on unearned income (such as dividends and interest) for tax year 1989 revealed that nearly \$340 million more in unearned income was reported to IRS than to VA by the same beneficiaries that year. VA officials also expect additional savings to result from matches with SSA earnings

data. But VA needs to verify the income of its health care recipients in order to receive the full benefit from the matching program. While VA has tried to safeguard IRS and SSA data and protect the due process rights of its beneficiaries, the effectiveness of these measures should be reviewed periodically.

**Veterans' Benefits:
Savings From Reducing VA Pensions to Medicaid-Supported Nursing Home Residents**

GAO/HRD-92-32, Dec. 27 (13 pages).

As a result of the Omnibus Budget Reconciliation Act of 1990, the Department of Veterans Affairs (VA) should be able to reduce pensions by about \$174 million annually for veterans receiving Medicaid-supported nursing home care. If pending legislation that would include survivors is passed, VA could cut pensions by an additional \$296 million. The combined \$470 million cost would be transferred by VA to the Department of Health and Human Services and the states under the Medicaid program, resulting in a net federal savings of about \$202 million annually. Passage of the bill would treat veterans and survivors in the same way. VA has not fully implemented the 1990 act. By not adequately controlling the case review process, VA did not reduce all affected veterans' pensions. VA is planning changes that eventually should identify all veterans' cases in which pensions should be reduced. If the proposed legislation reducing survivor benefits passes, significant savings could result. Thus, VA should revise its procedures to better ensure that survivor cases are reviewed and pensions reduced in a timely manner. VA also needs to improve its explanation of pension reductions to persons affected.



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AGRICULTURE AND FOOD

Agriculture Payments Effectiveness of Efforts to Reduce Farm Payments Has Been Limited
GAO/RCED-92-2, Dec. 5.

Food Assistance Processing of USDA Commodities Donated to the National School Lunch Program
GAO/RCED-92-67, Dec 31

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Federal Workforce Continuing Need for Federal Affirmative Employment
GAO/GGD-92-27BR, Nov 27

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GAO/HRD-92-6, Dec. 9.

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Federal Employment Job Displacement Assistance for Disabled Workers
GAO/T-GGD-92-6, Dec 11

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Fossil Fuels Improvements Needed in DOE's Clean Coal Technology Program
GAO/RCED-92-177, Oct 30

Energy Management Tightening Fee Process and Contractor Accountability Will Challenge DOE
GAO/RCED-92-9, Oct 30

Electricity Supply Utility Demand-Side Management Programs Can Reduce Electricity Use
GAO/RCED-92-13, Oct 31

Nuclear Science Accelerator Technology for Tritium Production Needs Further Study
GAO/RCED-92-1, Oct 31

Energy Management DOE Has an Opportunity to Improve Its University of California Contracts
GAO/RCED-92-75, Dec 26.

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Hazardous Waste DOD Estimates for Cleaning Up Contaminated Sites Improved but Still Constrained
GAO/NSIAD-92-37, Oct 29

Toxic Substances Status of EPA's Reviews of Chemicals Under the Chemical Testing Program
GAO/RCED-92-31FS, Oct 31.

Superfund EPA Could Do More to Minimize Cleanup Delays at the Clark Fork Sites
GAO/RCED-92-20, Nov 21

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Securities Industry SEC Leadership Needed to Further Automate Securities Transfers
GAO/IMTEC-92-4, Dec 11.

Equal Credit Opportunity Act OCC Should Further Review First Chicago's Screening Test for Credit Card Holders
GAO/GGD-92-4, Dec 12

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GAO/AFMD-92-27, Nov 29

Financial Audit FSLIC Resolution Fund's 1990 and 1989 Financial Statements
GAO/AFMD-92-22, Dec 17

Financial Management DOD Faces Implementation Problems in Stock Funding Repairable Inventory Items
GAO/AFMD-92-15, Dec. 26

Financial Audit House Beauty Shop Revolving Fund Financial Statements for 1990 and 1989
GAO/AFMD-92-3, Dec 27

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Comprehensive Deposit Insurance Reform and Taxpayer Protection Act of 1991 Observations on Accounting Reforms and Funding for the Bank Insurance Fund
GAO/T-AFMD-92-3, Dec. 11

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GAO/GGD-92-11, Nov 18

1990 Census Limitations in Methods and Procedures to Include the Homeless
GAO/GGD-92-1, Dec 30

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Breast Cancer, 1971-91 Prevention, Treatment, and Research
GAO/PEMD-92-12, Dec 11

Long-Term Care Insurance Risks to Consumers Should Be Reduced
GAO/HRD-92-14, Dec. 26

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Breast Cancer Progress to Date and Directions for the Future
GAO/T-PEMD-92-4, Dec 11

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Private Pensions IRS Efforts Under Way to Improve Spousal Consent Forms
GAO/HRD-92-31, Dec 20

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