



Reports and Testimony: February 1991

Highlights

Operation Desert Storm Costs

While the government should provide American troops taking part in Operation Desert Storm with all the support they need, GAO believes that Congress should not provide an "open check-book" to fund the war in the Persian Gulf. Rather, funds should be provided through periodic supplemental appropriations. GAO also believes that allied pledges should be the first source of funding for the war before U.S. taxpayers are called upon to provide further support. Page 32.

Resolution Trust Corporation

Although RTC is making some progress toward cleaning up the savings and loan disaster, the agency has serious problems in such areas as contracting for private sector services, marketing and selling assets, and managing information systems. Page 10.

Federal Benefit Payments

Dead beneficiaries mistakenly receive millions of dollars each month because federal payout agencies are not promptly notified of deaths, although most death information is available from the Social Security Administration. Page 11.

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Reports and Testimony: February 1991

Budget and Spending

Impoundments: Unreported Deferrals of Budget Authority for Military Construction

GAO/OGC-91-3, Feb. 5 (four pages).

This report discusses deferrals of budget authority in military construction programs that should have been, but were not, reported to Congress by the President as required by the Impoundment Control Act of 1974. GAO does not agree with the Department of Defense's position that its moratorium on military construction is a programmatic delay rather than an impoundment. First, the existence of an impoundment authority is not precluded by apportioning funds to an agency and then allotting them to local bases. Second, the withholding of military construction budget authority does not constitute a "programmatic" delay.

Impoundments: Comments on Proposed Deferrals of International Security and Ref- ugee Assistance Funds

GAO/OGC-91-4, Feb. 25 (three pages).

The President's second special impoundment message for fiscal year 1991, which was submitted to Congress on January 9, 1991, reports two new deferrals and revises the amounts of four deferrals previously reported. These funds involve international security assistance programs, forest service cooperative work, refugee assistance efforts, and FAA programs. GAO found the deferrals to be in accordance with the Impoundment Control Act.

Indian Programs: Tribal Influence in Formulating Budget Priorities Is Limited

GAO/RCED-91-20, Feb. 7 (42 pages).

In recent years, controversy has arisen over how budget and funding priorities have been determined under the Indian Priority System budget formulation process. One of the main goals of the process has been to give tribes more say in using appropriated moneys for programs benefitting them. This report discusses the evolution of the Indian Priority System process, its current implementation, and the extent to which tribes influence the budgeting for selected Bureau of Indian Affairs' programs through the process.

Testimony

Fiscal Year 1992 Budget Estimates for the General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Legislative, House Committee on Appropriations. GAO/T-OCG-91-2, Feb. 6 (22 pages).

Fiscal year 1990 was a banner year for GAO—products issued were at an all time high, the general perception of GAO's work was good, and GAO's work focused on the major national issues. By becoming more efficient, GAO accomplished this without any increase in its staff ceiling, the Comptroller General testified. GAO now has programs in place to hire the best; reward them for work well done; and provide them with the training, automated equipment, and other support services needed to do high-quality work in an efficient manner. GAO has also made several changes in the process and procedures for its audit work and has examined different ways of doing its work, such as contracting out certain jobs arising from GAO's audits and evaluations. However, GAO, which is already stretched very thinly on jobs, faces increasing demands from Congress. In light of concerns about GAO's ability to cover the issues in a timely manner, the Comptroller General requested an increase of 100 staff positions for fiscal year 1992. GAO's other budget priority is to obtain the funding needed to link microcomputers through networks.

Business, Industry,
and Consumers

Testimony

Insurance Industry: Questions and Concerns About Solvency Regulation, by Johnny C. Finch, Director for Planning and Reporting, General Government Division, before the Senate Committee on Commerce, Science and Transportation. GAO/T-GGD-91-10, Feb. 27 (12 pages).

In this testimony, GAO summarizes the results of its work on (1) parallels between the financial condition of the insurance and thrift industries and (2) the quality of regulatory oversight of the insurance industry. While the problems confronting the insurance and savings and loan industries have not been of the same magnitude, GAO notes similarities in the failures of firms in both industries. Inadequate internal controls, high growth, inadequate loss reserves, and lack of timely regulatory intervention were some of the factors found in failed insurance firms and thrifts alike. GAO raises a number of questions about the ability of

the insurance regulatory system to identify and resolve troubled and failing insurance companies.

Civil Rights

U.S. Commission on Civil Rights: The Commission Has Complied With FY89 Appropriation Act Provisions

GAO/GGD-91-32, Feb. 8 (eight pages).

Certain restrictions apply on how the Commission on Civil Rights can spend its fiscal year 1989 appropriation. Specifically, Congress established two line-item appropriations that specified amounts available only for regional offices and civil rights monitoring and that set limitations on the amounts that may be spent for seven other items, such as consultants and temporary employees. GAO found the Commission to be in compliance with the nine restrictions. However, the Commission used planned rather than actual employment and salary figures—which is inconsistent with its own prescribed methodology—in determining the portions of indirect costs to be included in the total costs of regional offices and civil rights monitoring. In addition, the Commission did not include two employees in its temporary employees' costs; they were included in the special assistants' costs. According to Commission records, the Commission obligated \$5.68 million in fiscal year 1989, or 99.6 percent of its \$5.7 million appropriation.

Employment

Targeted Jobs Tax Credit: Employer Actions to Recruit, Hire, and Retain Eligible Workers Vary

GAO/HRD-91-33, Feb. 20 (34 pages).

In 1977 Congress established the Targeted Jobs Tax Credit (TJTC) program to induce employers to favor certain disadvantaged individuals facing barriers to employment. Over the past 10 years, employers have claimed an estimated \$4.5 billion in tax credits under the program. To help Congress assess the effectiveness of the program and identify ways to improve it, GAO gathered information on employers using the program and the individuals for whom the tax credits were claimed, assessed employers' efforts to hire and retain eligible workers, and determined differences in workers' earnings before and after their participation in the program. While nearly half the employers in GAO's analysis made

some special effort to comply with the requirements of the program, the rest took advantage of the tax credit without making any special effort to hire members of targeted groups. GAO also found that while TJTC work experience increased participants' earnings, there was no significant difference from similar earnings increases among workers eligible for but not participating in the program.

Testimony

Unemployment Insurance: Adequacy of State Trust Fund Reserves, by Lawrence H. Thompson, Assistance Comptroller General for Human Resources Programs, before the Subcommittee on Human Resources, House Committee on Ways and Means. GAO/T-HRD-91-7, Feb. 20 (14 pages).

The principle behind unemployment insurance is that state trust funds reserves build during times of economic expansion so they are on hand to provide income to the unemployed during economic decline. However, increased reliance on loans and general fund advances has eroded this "forward funding" principle, leaving the system with a negative balance during the last nine years of operations. As a result, states have increased unemployment taxes and reduced unemployment benefits. The proportion of persons receiving benefits has declined from about one-half in 1975 to one-third in the 1980s. Overall, state trust funds appear to be inadequate, and, using Department of Labor projections and Office of Management and Budget assumptions, nine state trust funds will likely become insolvent during the current recession.

Energy

Nuclear Waste: Quality Assurance Auditors Need Access to Employee Records

GAO/RCED-91-7, Jan. 18 (25 pages).

The Privacy Act of 1974 restricts both the type of information on private individuals that federal agencies may maintain in their records and the conditions under which such information may be disclosed. The Nuclear Regulatory Commission, which must approve DOE plans to build a nuclear waste repository at the Yucca Mountain site in Nevada, requires a quality assurance program to guarantee that studies of the site are done by qualified employees. Under such a program, the training and qualifications of DOE and contractor employees would be verified. This report reviews (1) DOE's efforts to identify and resolve the implications of the Privacy Act for DOE's quality assurance program and

(2) how the delay in resolving Privacy Act issues may have affected preliminary work on the Yucca Mountain project.

**Nuclear Waste:
Quarterly Report as of March 31, 1990**

GAO/RCED-91-55, Feb. 15 (28 pages).

This is GAO's final quarterly report on DOE's implementation of the Nuclear Waste Policy Act of 1982. It discusses (1) public comments received by DOE on the Secretary of Energy's November 1989 report to Congress, which assessed the civilian nuclear waste program; (2) uncertainties about the criteria DOE would use to identify the presence of unsuitable site conditions early in the investigation of Yucca Mountain; and (3) the way in which DOE's near-term site investigation plans could be affected by the state of Nevada's refusal to allow DOE access to the Yucca Mountain site.

**Nuclear Materials:
Decreasing Tritium Requirements and Their Effect on DOE Programs**

GAO/RCED-91-100, Feb. 8 (nine pages).

U.S. defense tritium requirements fell dramatically from 1988 through 1990, and future decreases may occur as a result of upcoming retirements of nuclear weapons. A DOE analysis found that without starting any reactors, enough tritium exists to meet anticipated needs of the nuclear weapons stockpile for the next several years. This situation affords more time to evaluate outstanding issues before restarting the Savannah River reactors, all three of which are capable of producing tritium. The decreasing need for tritium also raises questions about the best way to build adequate capacity to produce tritium. While DOE has recently changed its Savannah River reactor restart and new production reactor programs, GAO believes that DOE needs to spend more time evaluating (1) outstanding safety and environmental issues before restarting the Savannah River reactors and (2) when the reactors should be restarted. DOE now also has time to reconsider the capacity and choice of technology to meet the lower tritium requirements.

Testimony

Nuclear Weapons Complex: GAO's Views on DOE's Reconfiguration Study, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Senate Committee on Governmental Affairs. GAO/T-RCED-91-8, Feb. 25 (13 pages).

In this testimony, GAO provides its views on DOE's January 1991 "Nuclear Weapons Complex Reconfiguration Study." GAO believes that DOE's new reconfiguration study provides a starting point for reaching agreement on solutions to many of the complex's problems. Key decisions still need to be made about the size of the complex, where to relocate plutonium operations, what technologies should be used for new tritium production, and what to do with excess plutonium. The total cost for reconfiguring and modernizing is still uncertain and some management issues remain unresolved. Congress faces a difficult task in making these decisions given the conflicting demands for scarce resources in a time of growing budget deficits and war in the Persian Gulf.

Environmental Protection

Pollution From Pipelines: DOT Lacks Prevention Program and Information for Timely Response

GAO/RCED-91-60, Jan. 28 (12 pages).

During the 1980s, over 3,900 spills from land-based pipelines released nearly 20 million gallons of oil into U.S. waters—almost twice as much as was released by the March 1989 Exxon Valdez oil spill. Although the Department of Transportation is responsible for preventing water pollution from petroleum pipelines, GAO found that it has not established a program to prevent such pollution. DOT has instead delegated this responsibility to the Coast Guard, which has a program to stop water pollution from ships, but not from pipelines. In the absence of any federal program to prevent water pollution from pipelines, both the Coast Guard and the Environmental Protection Agency have taken steps to plan for and respond to oil spills, including those from pipelines, as required by the Clean Water Act. The Coast Guard cannot, however, adequately plan for or ensure a timely response to pipeline spills because it generally is unaware of specific locations and operators of pipelines.

**Hazardous Waste:
Pollution Claims Experience of Property/Casualty Insurers**

GAO/RCED-91-59, Feb. 5 (nine pages).

Superfund requires that parties responsible for contaminations at the nation's worst hazardous waste sites either clean up the sites themselves or reimburse the government for cleaning them up. EPA has identified 1,200 sites eligible for cleanup under Superfund, at an average cost of at least \$29 million per site; responsible parties are looking to their insurers to pay for cleanups. GAO surveyed the 20 largest property/casualty insurers, which account for about two-thirds of the total general liability market in 1989. Of the 13 respondents, nine reported that they paid about \$106 million, or an average of \$44,000, on the 2,393 claims they settled in 1989. While only four of the nine insurers provided claim payment data for the five-year period 1985-89, all four experienced a sharp increase in their average pollution payments over this period. Respondents did not provide data on reserves set aside to cover pending or future claims, but GAO suggests that future costs may be much higher than past settlements would indicate. There are 50,000 pending claims and about 2,000 pending lawsuits over insurance coverage for pollution liability. GAO's survey found that in 1989, the nine respondents spent about \$158 million on lawsuits. The actual cleanup costs insurers will have to pay depends in part on the share of the nation's cleanup effort for which insurers are found liable under lawsuits. However, GAO notes that without a centralized source of data on the claims experience of insurers, the magnitude of cleanup costs borne by insurers will remain unknown.

Financial Institutions

**Budget Issues:
Profiles of Government-Sponsored Enterprises**

GAO/AFMD-91-17, Feb. 1991 (55 pages).

Government-sponsored enterprises are federally funded, privately owned corporations designed to facilitate the flow of credit to specific economic sectors. Examples are the Federal National Mortgage Association, the Student Loan Marketing Association, and the Federal Agricultural Mortgage Corporation. GSE activities have grown significantly over the past decade: borrowing and sales of mortgage-backed securities grew from \$29 billion to \$117 billion, and GSE debt and mortgage-backed

securities outstanding grew from \$175 billion to \$834 billion. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 requires the Department of the Treasury and GAO to study the risk-taking and capital of GSEs. Data reviewed by GAO consistently show a higher level of disbursements in most years but do not imply that any enterprise is operating in a loss position. This staff study provides an overview of the 11 existing GSEs and a historical profile of each entity's operating, statutory, and financial features for the 10-year period 1980-89.

**Deposit Insurance:
Overview of Six Foreign Systems**

GAO/NSIAD-91-104, Feb. 22 (40 pages).

Current difficulties in the U.S. banking structure have prompted Congress to review methods of reforming the bank deposit insurance system. In support, GAO studied the deposit insurance and protection systems in six developed nations—Germany, France, the United Kingdom, Italy, Japan, and Canada. GAO found that most of the deposit insurance systems in other countries were initiated or reformed in the last 15 years, often as a result of banking crises. The deposit protection methods vary in terms of administration, extent of coverage, and funding arrangements. Foreign regulators generally believe that their overall regulatory framework and certain structural elements in their banking systems, rather than their deposit protection plans, ensure the safety and soundness of their banks. Since the establishment of the deposit protection systems, bank failures have generally been few in number and have involved smaller institutions. In most cases, only those depositor claims covered under the protection plan were honored.

**Banks and Thrifts:
Cause of Federal Regulators' Delays in Releasing Timely Call
Report Data**

GAO/IMTEC-91-26BR, Feb. 26 (nine pages).

This briefing report discusses delays experienced by federal bank and thrift regulators in publicly releasing data—referred to as call reports—on the operating condition of banks and thrifts. GAO (1) documents the federal bank and thrift regulators' automated processes for collecting, producing, and distributing call report data and (2) identifies the causes of and regulators' responses to recent delays in releasing such data.

Testimony

Resolution Trust Corporation: Performance Assessment to Date, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-91-7, Feb. 20 (44 pages).

The American taxpayer is being asked to shoulder a heavy burden for the many savings and loan officials and thrift regulators who abused their responsibilities. As a result, the government has a special obligation to clean up the industry as effectively and efficiently as possible. In this testimony, the Comptroller General discusses how well the Resolution Trust Corporation has done its job since August 1989. Although GAO believes that RTC is making progress in cleaning up the savings and loan disaster, RTC has serious problems in major areas like contracting for private sector services, marketing and selling assets, managing conservatorships, and managing information systems.

Financial Management

**Financial Management:
National Park Service Implements New Accounting System**

GAO/AFMD-91-10, Feb. 13 (14 pages).

Until October 1, 1990, the National Park Service used an antiquated accounting system, which raised congressional concerns about proper accounting for NPS appropriations and allocating park entrance user fees. NPS has replaced the old system with a new one that will be part of an overall, standard system for the Department of the Interior, and expects the new accounting system to correct problems and deficiencies that have plagued its accounting operations for years. GAO notes that while the new system is operational, a number of additional features have been deferred or modified; changes in NPS accounting codes have been deferred and plans to establish automatic interfaces between the new accounting system and other NPS systems containing financial data have been delayed. NPS also modified plans to provide direct access to the new system's mainframe computer for many of the system's users. GAO believes that NPS should closely monitor the installation of delayed and modified features to help ensure their prompt completion. The new system also bears monitoring to ensure that its costs do not increase unnecessarily, that enough staff are available for its effective operation, and that it is adequately documented.

**Financial Audit:
Environmental and Energy Study Conference Financial Statements
for 1989 and 1988**

GAO/AFMD-91-4, Feb. 27 (12 pages).

The Environmental and Energy Study Conference is a legislative service organization sponsored by a group of Members of Congress who pool their resources to pursue a common legislative goal. It operates as an extension of the participating Members' individual offices and provides its congressional sponsors with information on environmental and energy issues affecting federal legislation. GAO audited the balance sheets of the Environmental and Energy Study Conference for 1989 and 1988 along with the related statements of operations and fund balance and of cash flows for those years. In GAO's opinion, these financial statements present fairly, in all material respects, the financial position of the Conference for 1989 and 1988 and the results of its operations and cash flows for those years in conformity with generally accepted accounting principles.

**Government
Operations**

**Federal Benefit Payments:
Agencies Need Death Information From Social Security to Avoid
Erroneous Payments**

GAO/HRD-91-3, Feb. 6 (23 pages).

As a result of its contacts with family members, funeral homes, and other federal and state agencies, the Social Security Administration maintains the most comprehensive death information in the federal government—if not the nation. GAO found that federal and state agencies, which are erroneously paying out millions of dollars each month to dead beneficiaries, rarely avail themselves of SSA's comprehensive death information. Instead agencies continue to rely on voluntary reporting of deaths in order to stop payments or to adjust survivor benefits. GAO notes the existence of barriers to governmentwide use of SSA's purchased death information, including (1) state-negotiated restrictions on the use of data by other federal agencies and (2) states' desire to be compensated by each federal agency's use of the death information they provide. However, this state death information is a critical internal control for reducing erroneous payments in both federal and state benefit programs, and GAO believes that it should be provided to SSA without restrictions for use by federal and state benefit programs. GAO concludes

that legislation is needed to enable SSA to more easily disclose the purchased data to other agencies. In addition, the Office of Management and Budget should require governmentwide use of SSA's comprehensive file of death information. GAO summarized this report in testimony before Congress; see:

Federal Agencies Need SSA's Death Information to Avoid Erroneous Payments, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HRD-91-6, Feb. 6 (nine pages).

**Status of Open Recommendations:
Improving Operations of Federal Departments and Agencies**

GAO/OP-91-1, Jan. 16 (884 pages).

This annual report summarizes the findings and open recommendations resulting from GAO audits and other work in federal agencies for which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO follows up on them. This report contains information on 2,204 GAO recommendations that were open as of September 30, 1990

**Employee Drug Testing:
A Single Agency Is Needed to Manage Federal Employee Drug Testing**

GAO/GGD-91-25, Jan. 18 (29 pages).

By Executive Order, each executive branch government agency is required to develop a plan to achieve a drug-free workplace. The plans were to include drug testing as a means of identifying illegal drug users among federal employees. GAO visited 18 government agencies to assess the implementation of drug testing programs and found inequities in the treatment of employees and disparities in drug testing practices. Employees in some agencies were tested while those in others were not. Proportions and definitions of employees subject to testing varied widely, costs ranged from \$8.90 per test to more than \$87, and a number of operational problems have not been identified and dealt with. GAO believes that a single agency should oversee governmentwide drug testing practices to ensure that employees are treated equitably, identify agencies that are not in compliance with program guidelines, and see

that needed modifications to the program are identified and made. Three agencies—the Office of Personnel Management, the Department of Health and Human Services, and the Office of National Drug Control Policy—are likely candidates for the job, although in GAO's view OPM is in the best position to assume this responsibility. GAO summarized this report in testimony before Congress; see:

Employee Drug Testing: A Single Agency Is Needed to Manage Federal Employee Drug Testing, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations. GAO/T-GGD-91-6, Feb. 19 (nine pages).

**Distressed Communities:
Capital Investments Were Postponed in Texas as Local Economies Weakened**

GAO/HRD-91-14, Feb. 6 (42 pages).

GAO examined local public services in poorer communities in three states to discover the effects of declining federal-local aid and the end of general revenue sharing. This report is the third and final case study, focusing on the city of Weslaco and Uvalde County, two distressed communities in Texas. GAO found that, because Texas suffered two economic slumps in the 1980s that affected all communities, the poorer communities examined by GAO did not appear to lose economic ground relative to other Texas communities. However, fiscal problems did worsen in Weslaco and Uvalde; these communities, like other poorer areas, have greater than average service needs and fewer resources with which to meet them. Local efforts to cope with fiscal problems helped Weslaco and Uvalde maintain their limited levels of most local services after revenue sharing ended, but both communities had to postpone capital investment projects for lack of funds. GAO also found that Texas, like most states, did not replace revenue sharing funds when that program expired in 1986. Overall, state spending, taxing, and grant-in-aid policies made it more difficult for poorer communities to meet their public service responsibilities.

**OMB Circular A-76:
Expected Savings Are Not Being Realized in Ft. Sill's Logistics
Contract**

GAO/GGD-91-33, Feb. 11 (32 pages).

OMB Circular A-76 requires federal agencies to study their commercial activities, such as data processing, custodial services, and vehicle maintenance, to determine whether these activities can be done more economically by private contractors or by in-house federal employees. An A-76 study indicated that logistics functions at Ft. Sill, Oklahoma, if contracted out, could be done at a cost savings to the government of \$2.7 million over five years. As a result, a cost-plus-award-fee contract was awarded to Northrop Worldwide Aircraft Services, Inc., under which Northrop does supply, maintenance, and transportation work for the army facility. The savings, however, are not being realized; instead, projections show larger-than-anticipated increases of about \$14.8 million in contract costs. Although in-house costs would have risen also, they still would have been significantly lower. Moreover, contractor performance has been below standard for two of the three functions. If performance does not improve, contract cost increases could go even higher. Poor contract performance has also compromised the readiness requirements for the army units based at Ft. Sill and supported by the contractor. The estimated five-year cost savings are further eroded by Ft. Sill's administration of the contract. Specifically, Northrop received awards for below minimally standard work; Ft. Sill provided no motivation for excellent performance; and Northrop could, by improving its performance, receive an additional \$2.4 million for meeting—not exceeding—performance standards.

**Capitol Police:
Administrative Improvements and Possible Merger With the
Library of Congress Police**

GAO/AFMD-91-28, Feb. 28 (51 pages).

The House and the Senate have traditionally shared Capitol Police Force salaries and expenses. However, for purposes of pay, benefits, and personnel actions, Capitol Police members are treated as either House or Senate employees depending on the payroll from which they are paid. GAO found that some pay and benefit inequities have resulted from the use of dual systems to pay Capitol Police. This report presents four alternatives for addressing the inequities caused by the current dual

personnel and payroll systems, although GAO believes that making the Capitol Police a separate entity in the legislative branch is the only option that would eliminate all these differences. While GAO found that the Library of Congress and Capitol Police forces could be merged, Congress would need to consider several statutory and personnel issues before reaching a final decision.

Testimony

National Air and Space Museum Extension Site Selection Process, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-GGD-91-5, Feb. 5 (13 pages).

In the early 1980s, the National Air and Space Museum—part of the Smithsonian Institution—began looking at sites on which to build an annex for its growing collection of aircraft. After considering several locations, the Smithsonian Institution chose Dulles International Airport as its preferred site. Beginning in the late 1980s, however, controversy erupted. First the Governor of Maryland expressed an interest in locating the facility at Baltimore-Washington International Airport, and then the City of Denver proposed locating the annex at Stapleton International Airport. In this testimony, GAO argues that the Smithsonian's site selection process was not systematic, open, or cost-conscious enough to ensure that the most cost-effective site had been selected. Since the Smithsonian has never publicly announced its needs, it has no assurance that the three current offers include all potentially competitive sites. Moreover, the Smithsonian's analysis of the three alternatives has been incomplete. GAO concludes that the selection of Dulles cannot be objectively defended as offering the best value of the three sites, although it may turn out to do so. GAO believes that the Smithsonian should reopen its selection decision and use a more systematic and competitive approach to ensure that the government receives the best value for its investment.

Components of the 1990 Census Count, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-91-8, Feb. 21 (14 pages).

The 1990 census population count came from three broad sources: (1) data that individuals and households provided on themselves; (2) data gathered from nonhousehold sources, such as administrative records or neighbors; and (3) data generated through statistical methods such as

imputation. GAO testified that data are not available that show clearly how much each source contributed to the count, although it is clear that most of the data were supplied directly by households. An evaluation of the comparative quality of the three sources of data should provide insight into the best mix of methodologies to improve the cost effectiveness of future censuses.

Health

Health Insurance Coverage: A Profile of the Uninsured in Selected States

GAO/HRD-91-31FS, Feb. 8 (58 pages).

The fact sheet profiles individuals in the United States without health insurance. GAO found that in 1988 about 32 million Americans under age 65—about 15 percent of the population—lacked some form of health insurance coverage. The uninsured were concentrated most heavily among poor, young, unmarried, less educated, and minority groups. Particularly striking was the large number of working people who lacked insurance. Uninsured rates for employees in service industries like wholesale and retail trade, real estate, and entertainment tended to be higher than for persons in manufacturing fields like the auto, textile, and chemical industries.

Rural Hospitals: Federal Efforts Should Target Areas Where Closures Would Threaten Access to Care

GAO/HRD-91-41, Feb. 15 (83 pages).

Between 1980 and 1988, 200 rural hospitals closed—about one-half of the total number of hospitals that closed over that period. GAO examined the factors that contribute to the risk of closure and assessed the impact rural hospital closures have on access to medical care, health care costs, and local economies. GAO found that the factors associated with a high risk of closure did not include rural location. Factors did include small size, low occupancy rate, weak local economy, and competition from other hospitals; a higher percentage of rural hospitals suffer some combination of these contributing factors. Most rural hospital closures did not significantly reduce access to care, but in some areas closures did appear to worsen access, especially for Medicaid recipients and the uninsured. GAO recommends that federal and state programs designed to provide relief for hospitals undertake to identify those hospitals at risk of

closure and assess the impact of such closure on access to care. Programs could then target funding to communities that would be most adversely affected.

**Indian Health Service:
Funding Based on Historical Patterns, Not Need**

GAO/HRD-91-5, Feb. 21 (18 pages).

The Indian Health Service now distributes funds among its 12 service delivery areas primarily on the basis how much money each area received in past years, an approach that takes little account of the numbers of Indians eligible for or using services in an area, their health status, or the area's specific service needs. At a minimum, this method gives the perception of funding inequities. However, given less than full funding for the overall Indian Health Service system, GAO believes that any change in the allocation system will mean that some areas will get more funds and others less. Because the Service has met strong opposition in the past from Indian tribes facing cuts, it has had limited success in redistributing funds. In GAO's view, Congress may wish to consider requiring the Service to distribute its funds on the basis of other methods, such as those that give greater weight to need. In addition to discussing overall Indian Health Service funding and distribution methods, this report looks at (1) per capita funding for Indians in the Oklahoma area and (2) the effect of Service funding constraints on health services delivery in Oklahoma, with special attention to the Contract Health Services program.

**Off-Label Drugs:
Initial Results of a National Survey**

GAO/PEMD-91-12BR, Feb. 25 (27 pages).

For each approved drug, the Food and Drug Administration designates those clinical uses for which the drug has been proven effective. "Off-label" drug use occurs when doctors prescribe drugs for uses other than those listed on the label. On the basis of GAO's survey of a nationally representative sample of oncologists, this briefing report discusses (1) the prevalence of off-label use of anticancer drugs by oncologists and how use varies by clinical, demographic, and geographic factors; (2) the extent to which third-party payers like Medicare and private health

insurers are denying payments for such use; and (3) whether the policies of third-party payers are influencing the treatment of cancer patients.

Testimony

Medicare: Millions in Potential Recoveries Not Being Sought by Contractors, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HRD-91-8, Feb. 26 (18 pages).

At a time when Medicare costs are soaring, GAO believes that Medicare carriers should be trying to recover the hundreds of millions of dollars potentially owed to the Medicare program by other insurers. A recently-initiated Internal Revenue Service/Social Security Administration data match and a Department of Health and Human Services regulation make it imperative that this problem be addressed immediately. The data match could add several million more claims to the existing backlog of mistaken Medicare payments. Further, the HHS regulation limits the time that contractors have to initiate recovery action after they identify another insurer. Thus, unless contractors are given enough resources to begin recovering the mistaken payments, hundred of millions of dollars owed to Medicare will never be recovered. GAO believes that the additional funding for contractor recovery of mistaken payments should return considerably more than the dollars spent.

Housing

Housing for the Elderly: HUD Policy Decisions Delay Section 202 Construction Costs

GAO/RCED-91-4, Jan. 14 (51 pages).

Under the section 202 program, nonprofit organizations receive direct loans for building or rehabilitating rental housing for the elderly and handicapped, primarily those of lower income. Over the past nine years, the time required to process a section 202 project has increased. In 1988 HUD had a three-year backlog of projects for which construction had not yet begun. As a result, housing assistance to many low-income elderly and handicapped people has been delayed. GAO identified three main reasons for processing delays: (1) HUD has indirectly restricted funds available to finance 202 projects by establishing fair market rents that are too low in some cases and do not reflect the cost of construction; (2) HUD offices are inconsistent in their cost containment reviews and often change project plans in an effort to lower costs to limits supportable by

fair market rents; and (3) HUD's field offices vary in their administration of the program, with some offices having developed effective processing procedures while other have not. This report contains recommendations to the Secretary of HUD for ensuring the timely completion of section 202 projects.

**Federal Housing Administration:
Monitoring of Single Family Mortgages Needs Improvement**

GAO/RCED-91-11, Feb. 7 (40 pages).

To encourage lending to first-time homebuyers and others who might not qualify for conventional loans, the Federal Housing Administration—as part of its insurance program for single family homes—provides mortgage insurance to lenders. However, FHA could not provide GAO with either a comprehensive description of how it monitors the insurance program or a list of its monitoring activities. Without appropriate internal controls or procedures, the insurance program and FHA's largest fund—the \$305 billion Mutual Mortgage Insurance Fund—are vulnerable to waste, fraud, and mismanagement. GAO reviewed operations at FHA headquarters and at FHA field offices in Los Angeles, California, and Tampa, Florida. While GAO's results are not generalizable to other FHA offices, GAO is concerned that other FHA field offices may have similar problems in monitoring the insurance program.

Testimony

Secondary Mortgage Market: Home Loans in the Atlanta Area, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Consumer and Regulatory Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-91-13, Feb. 28 (six pages).

In response to congressional concerns about racial discrimination in home mortgage lending, GAO testified on its work on secondary mortgage market home loans in the Atlanta area. (See GAO/RCED-91-2, Nov. 28, 1990). During the two-year period ending June 30, 1989, GAO found that the combined secondary mortgage market purchases made or insured in Atlanta by Fannie Mae, Freddie Mac, and HUD were fewer in neighborhoods with lower average incomes and higher concentrations of minorities. GAO testified that while the loan activity data do not demonstrate whether or not racial discrimination actually occurred, they do illuminate the extent and location of secondary mortgage market loan activity in the Atlanta area during a specific period.

Information Management

Major ADP Systems: DOD Does Not Always Comply With Statutory Restriction on Obligations

GAO/IMTEC-91-16, Jan. 7 (16 pages).

Since 1987 the Department of Defense has been legally restricted from obligating funds for major automated weapons systems unless the systems have successfully completed oversight reviews required by DOD regulations. GAO found, however, that DOD did not comply with the statutory restriction in three of the nine systems GAO reviewed. In all three cases, DOD officials knowingly allowed funds to be obligated for systems that had not passed oversight reviews. While DOD officials believe that these decisions were justified because they avoided delays and higher program costs, GAO could not find any supporting analysis for these conclusions. GAO concludes that DOD's actions not only violated the statutory restrictions, but also failed to comply with DOD's own policies for acquiring automated systems.

FAA Information Technology: Complete Cost Data Not Provided to OMB

GAO/IMTEC-91-22, Jan. 18 (nine pages).

The Federal Aviation Administration invests billions of dollars in information technology like computer and communications systems. While the Office of Management and Budget requires federal agencies to annually collect and report data on the costs of acquiring, operating, and using information technology, FAA has not provided required data on information technology supporting the air traffic control system. The absence of this data hinders efforts by Congress, the Department of Transportation, and OMB to make informed decisions on critical information technology activities. FAA officials, who in the past believed that these resources did not need to be reported, have agreed to start reporting cost data on air traffic control systems.

Medical ADP Systems: Automated Medical Records Hold Promise to Improve Patient Care

GAO/IMTEC-91-5, Jan. 22 (30 pages).

The United States spends more than half a trillion dollars each year on health care, yet the use of automation in the health care industry lags

behind that of other industries. GAO found that automated medical records may greatly improve the management of patient care. Such records are far more accessible, complete, and accurate than paper records and could potentially increase staff productivity and decrease operating costs. Several factors have, however, impeded progress in health care automation, including costliness, lack of fully developed technology, potential misuse of automated information, and user resistance to automated systems. Further, the lack of standardization in data collection and processing limits the usefulness of this information for research. Automated records also raise security, privacy, and legal questions. GAO believes that the health care community needs to find solutions to the problems associated with automating medical records. In GAO's view, the issue is less whether computers can support medical practice but instead how to bring about the development and use of the technology to do so.

International Affairs

Agricultural Trade Negotiations: Stalemate in the Uruguay Round

GAO/NSIAD-91-129, Feb. 1 (16 pages).

The current round of multilateral trade negotiations was launched in Punta Del Este, Uruguay, in September 1986. The negotiations were separated into 15 groups, one of which was agriculture. The United States made agricultural trade reform its top priority in the Uruguay Round. However, after four years of negotiations, the United States and the European Community—the two major participants in the agricultural group—continued to disagree strongly on the nature and extent of trade liberalization. The United States entered the talks supporting complete elimination of agricultural subsidies that directly or indirectly distort trade, as well as market access barriers, while the EC called only for a reduction in agricultural support. Little time remains for a negotiated agreement; the President must notify Congress of his intent to enter into a Uruguay Round agreement by March 1, 1991, for Congress to consider an agreement and requisite legislative actions under special fast-track procedures. Otherwise the President will have to ask Congress for an extension of fast-track authority. The support of major agricultural commodity groups in the United States may be an important factor in congressional approval of an agreement; concerns among these groups vary, and support would depend on the specifics of an agreement.

**Agricultural Trade:
Determining Government Support on the U.S.-Canada Free Trade
Agreement**

GAO/RCED-91-63, Feb. 11 (22 pages).

How well is agricultural trade distortion measured by the formula used in the U.S.-Canada Free Trade Agreement to calculate levels of government support for agriculture? Trade distortion refers to the difference between what farmers would produce and sell on the world market with government agricultural support and what they would produce and sell without such support. GAO concludes that the existing formula, which is valuable for trade negotiations because of its relative simplicity and acceptability among trading parties, has limited ability to directly measure trade distortion caused by government support. GAO believes that other methods could be developed to more directly measure trade distortion in terms of production rather than producer income. However, these methods would likely rely on sophisticated econometric models that economists and negotiators would have to agree on. In addition, economists would have to choose from a variety of different estimating techniques, and data needed for use in these models are hard to obtain. While these models were impractical for use at the time that the Free Trade Agreement was negotiated, GAO believes that these methods may hold promise for future negotiations.

**Internal Controls:
AID Missions Overstate Effectiveness of Controls for Host Country
Contracts**

GAO/NSIAD-91-116, Feb. 11 (five pages).

Under a host country contract, the Agency for International Development gives a host government agency responsibility for both contract award and implementation—subject to AID oversight and contract approval. This report focuses on whether AID missions in Bangladesh, Egypt, Jordan, and Pakistan accurately reported to AID/Washington the status of existing internal controls for host country contracts. GAO found that in their 1988 and 1989 certifications, the missions did not accurately portray the status of these internal controls. In 21 of 47 cases in which controls were rated as “satisfactory” or “not applicable,” the missions overstated the quality or effectiveness of their controls. Controls were rated “satisfactory” or “not applicable” by mission personnel

without sufficient justification or despite negative information that should have led to an “unsatisfactory” rating.

El Salvador:

Aid Compensates for Economic Losses but Achieves Little Growth

GAO/NSIAD-91-97, Feb. 15 (30 pages).

As a result of the continuing violent insurgency and a recent earthquake, El Salvador has suffered \$3.6 billion in destroyed infrastructure and lost production over the past decade. U.S. economic aid, totaling over \$3 billion since 1980, has helped El Salvador cope with its economic difficulties by providing balance-of-payment support, rebuilding the infrastructure, and compensating for decreased Salvadoran spending on social services. Economic trends for 1978 through 1990 show that El Salvador’s economy has stabilized, but at economic levels much lower than those found in the pre-insurgency period.

Eastern Europe:

Status of U.S. Assistance Efforts

GAO/NSIAD-91-110, Feb. 26 (51 pages).

As Eastern Bloc nations move from communism to democracy and from centralized economies to free market systems, U.S. leaders must decide how the United States can best help East European countries while at the same time advance its economic, political, and security interests. This is the second in a series of GAO reports on economic assistance to Eastern Europe. In discussing the administration’s implementation of the Support for East European Democracy Act of 1989, GAO focuses on (1) program elements and earmarking of funds under the legislation and (2) U.S. objectives and the coordination of assistance.

Testimony

National Security Reviews of Foreign Investment, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Commerce, Consumer Protection and Competitiveness, House Committee on Energy and Commerce.

GAO/T-NSIAD-91-8, Feb. 26 (10 pages).

A 1988 amendment to the Defense Production Act gave the President the authority to investigate and block or suspend foreign investments that threaten U.S. national security. This authority lapsed in October

1990 with the expiration of the Defense Production Act. GAO testified on (1) the nature of the administration authority to review and block foreign investments during the current period in which the authority has lapsed, (2) why it has taken the administration more than a year to implement a presidential divestiture order in the one case that the President ordered to be blocked under the 1988 amendment, (3) the types of problems experienced by the interagency Committee on Foreign Investment in the United States, and (4) the larger public policy questions.

Latin America: Views on the Enterprise for the Americas Initiative, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on International Economic Policy and Trade and before the Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs. GAO/T-NSIAD-91-7, Feb. 27 (13 pages).

The Enterprise for the Americas Initiative is a U.S. government proposal to stimulate sustained economic development in Latin America and the Caribbean that includes plans for the expansion of trade and investment, reduction of debt, and promotion of environmental conservation. While GAO supports the concepts embodied in the Initiative, it is concerned that it may be hard to deliver or live up to the expectations that have been set. If this is the case, U.S. relations with Latin American and Caribbean countries could be harmed. GAO testified that these concerns need to be recognized early on and that strategies be developed to deal with them. First, achieving the long-run trade goals depends on successful conclusion of the multilateral Uruguay Round trade negotiations and a series of bilateral free-trade agreements with the Latin American nations. Second, the preconditions that countries must meet to participate in the investment and debt portions of the Initiative, while necessary, may preclude countries in greatest need from participating. Finally, while the Agency for International Development has become more of a player in the Initiative, it needs to have a more clearly defined role in implementing the Initiative in order to bring to bear its expertise in environmental and economic development matters.

Agricultural Trade Negotiations at a Crossroads, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-NSIAD-91-10, Feb. 28 (eight pages).

GAO testified on the General Agreement on Tariffs and Trade negotiations and disagreement between the United States and the European

Community concerning agricultural trade, the need for an extension of fast-track authority, and the importance of the backing of U.S. agricultural groups. In GAO's view, the United States could gain much from a good agreement. On the other hand, if negotiations fail, the United States and its competitors will continue to confront government-imposed trade barriers, protracted subsidy wars, increasingly costly budgetary outlays, and an impaired world trading system. While Congress should not deny the administration the authority that it needs to continue serious negotiations, GAO believes that the extension of the fast track must be used to realize a substantially strengthened world trading system. Business as usual and a limited agreement will not be enough to meet the challenge.

National Defense, Security, and Military Procurement

Property Disposal:

Controls Needed to Preclude DOD Release of Unsafe Surplus M151 Jeeps

GAO/NSIAD-91-10, Jan. 2 (34 pages).

The Army considers the M151 jeep to be one of the most dangerous vehicles in its inventory because of its tendency to flip over when being driven on paved roads. As a result, DOD has been trying to keep the jeeps out of civilian hands for 20 years. However, GAO found that M151 jeeps are not being effectively controlled when being transferred from military units to disposal offices, a situation that increases the chance of theft. GAO also found that disposal offices are not following internal control procedures intended to safeguard M151 jeeps. Further, the Defense Logistics Agency has not been following DOD's policy requiring that M151 jeep parts be mutilated to prevent the jeeps from being restored to working order. As a result, commercial rebuilders have been reconstructing M151 jeeps and selling them to the public.

DOD Budget:

Air Force's Ability to Track F-15 Operating and Support Costs

GAO/NSIAD-91-81, Jan. 2 (eight pages).

In April 1990 the Secretary of Defense recommended to Congress that future DOD budget submissions be restructured to focus on forces and missions, such as an F-15 aircraft force. Yet GAO found that neither DOD nor the Air Force has initiatives underway, nor do they plan to restructure the Defense budget on a forces and mission basis. GAO also found

that the Air Force does not have an accounting system in place to accumulate and track all operating and support costs for a force of F-15 aircraft assigned to a wing. The ability to accumulate and track all such costs applicable to a wing is essential for developing cost-based budgets on a forces and mission basis.

**Industrial Base:
Significance of DOD's Foreign Dependence**

GAO/NSIAD-91-93, Jan. 10 (26 pages).

How dependent is DOD on foreign sources for critical components of its weapons systems? GAO found that the overall extent of foreign sourcing and foreign dependency and their significance for national security is unknown because DOD has only limited information on foreign sources of supply at the lower tiers of the supply base. Moreover, no criteria have been set for determining what levels of foreign dependency should be tolerated for various items and what actions DOD could or should take to reduce the associated risks. This report looks at (1) DOD's awareness of foreign dependencies and whether previously identified foreign dependencies still exist for the Abrams tank and F/A-18 Hornet aircraft, (2) the use of buy American restrictions during procurement of items essential to the production of the Abrams tank and the F-A-18, and (3) two major DOD efforts to assess the significance of foreign dependencies on the U.S. defense industrial base.

**Defense Personnel:
Status of Implementing Joint Assignments for Military Leaders**

GAO/NSIAD-91-50BR, Jan. 11 (nine pages).

GAO found that DOD's progress in designating general/flag officer joint duty positions as critical has been steady over the initial four years since passage of the Goldwater-Nichols Department of Defense Reorganization Act of 1986. So far, 55 positions representing about 20 percent of all general/flag officer joint duty assignments have been designated as critical. DOD plans to reach its goal of 50 percent by the end of calendar year 1994. The Joint Staff now selects, from nominations by joint organizations, critical positions that it believes would benefit most by being filled with joint specialty officers. Designations of critical positions are to be within the grades, numbers, and schedules prescribed in the Joint Staff plan.

**Logistics Support:
Controls at Navy's Andros Island Test Range Need Improvement**

GAO/NSIAD-91-75, Jan. 28 (22 pages).

The Atlantic Undersea Test and Evaluation Center at Andros Island, Bahamas, and West Palm Beach, Florida, is the Navy's only major range supporting underwater research and development. Its mission is to provide a deep-water test and evaluation facility for measuring and tracking underwater acoustics, calibrating sonars, and supporting Navy antisubmarine requirements and undersea research and development programs. The Navy also uses the facility to provide tracking data for surface ships, submarines, aircraft, and weapons system. This report discusses the need for certain general purpose equipment, accuracy of property records, adequacy of inventory controls over supplies, adequacy of Navy oversight of contractor logistical support, and merits of cost-reimbursement and fixed-price contracts. GAO concludes that improved controls over logistics support activities at the center could yield significant reductions in research and development funding needed to support the base. In addition, the increased operational efficiency resulting from these improvements could help lower user charges applied to meeting the cost of base operations.

**Army Training:
Computer Simulations Can Improve Command Training in Large-Scale Exercises**

GAO/NSIAD-91-67, Jan. 30 (48 pages).

Large-scale military exercises have long been considered one of the best means—short of war—of testing the ability of the armed forces to carry out their mission. The Return of Forces to Germany began in the 1960s and has become the Army's largest strategic deployment exercise. The 1990 version of this exercise was markedly different from past ones because it made extensive use of computer simulations. This report reviews the 1990 exercise and discusses (1) how much it was scaled back, (2) the advantages and limitations of using simulations in comparison with large-scale ground maneuvers, (3) future plans for using simulations, and (4) how much money can be saved through increased use of simulations in training.

**Military Personnel:
Composition of the Active Duty Forces by Race or National Origin
Identification and by Gender**

GAO/NSIAD-91-134FS, Feb. 1 (55 pages).

This fact sheet presents information on the overall composition of the U.S. military services by race or national origin identification and by gender. GAO found that in 1972 blacks made up 11.1 percent of the active duty forces, Hispanics 3.6 percent, whites 83.6 percent, and others 1.7 percent. In 1990 corresponding percentages were 20.8, 4.6, 70.4, and 4.2. In 1972 men comprised 98.1 percent and women 1.9 percent, while in 1990 those proportions were 89 and 11 percent respectively.

**Aircraft Development:
Reasons for Recent Cost Growth in the Advanced Tactical Fighter
Program**

GAO/NSIAD-91-138, Feb. 1 (10 pages).

DOD announced in April 1990 that while the Air Force's Advanced Tactical Fighter is needed to replace the F-15, its production could be delayed due to changing world conditions and the possibility of a longer service life for the F-15. Air Force officials estimated that the total program cost for the Advanced Tactical Fighter escalated from \$79.5 billion to \$102 billion; this figure was later revised upward to \$103.7 billion. GAO found that the key factors contributing to the increase were inflation; program changes like the addition of two-seat aircraft to both the development and production programs, increased aircraft weight, and updated prices for the selected avionics suite; estimating changes like adjustments in labor rates and material costs; and schedule changes such as the reduction of the peak annual production rate from 72 to 48 aircraft and a longer development period because of a two-year delay in the start of production from fiscal year 1994 to 1996. The Air Force expects further changes to the \$103.7 billion estimate, the net effects of which are unknown at this time.

**Beef Procured for Commissaries:
Small Businesses Received Significant Share of Orders for Commissary Resale**

GAO/NSIAD-91-100, Feb. 11 (nine pages).

In response to concerns that small business may not be receiving a fair share of contract awards under DOD's current system, GAO reviewed the way DOD buys beef for its commissaries. Overall, GAO found that small businesses accounted for a large share of beef sales to the military commissaries—supplying 44 percent of the estimated \$163 million bought in 1990 and 48 percent of the estimated \$181 million bought in 1989 under the two primary methods of acquiring beef. Officials responsible for commissary management in the four services said that they are satisfied with the price and quality of the beef they are purchasing. This report also discusses recent developments that may affect future procurement methods.

**Defense Health Care:
Procurement of an Interactive Videodisc Program for AIDS Education**

GAO/HRD-91-53, Feb. 13 (18 pages).

Legislation passed in 1988 provided \$3 million to each of the services so that they could develop an interactive videodisc education program on AIDS. Under the DOD program, microcomputer and videodisc player technologies would be united in an interactive system requiring student participation. This report (1) identifies and evaluates several key decisions on the program's development and management, (2) evaluates the legality of DOD's procurement of the AIDS education program, and (3) presents data on program expenditures through August 1990 and DOD's plans for further expenditures. In GAO's view, DOD has adopted a sound and reasonable approach to the acquisition of the program to educate military personnel about the human immunodeficiency virus and AIDS. GAO found that service officials have been actively involved in the program's direction and management and that program decisions, actions, and expenditures have complied with applicable laws and regulations.

**Chemical Weapons:
DOD's Successful Effort to Remove U.S. Chemical Weapons From
Germany**

GAO/NSIAD-91-105, Feb. 13 (24 pages).

In 1986 President Reagan and West German Chancellor Kohl agreed to remove U.S. chemical munitions from West Germany by 1992. In March 1989, the United States announced that it would try to expedite the process and remove the chemical weapons by the end of 1992. This report examines DOD's efforts to transport U.S. chemical weapons from the Federal Republic of Germany to Johnston Atoll for storage and eventual disposal. GAO found that (1) the move was done successfully, safely, and in accordance with DOD's overall schedule; (2) the move cost \$53 million—\$11 million more than originally budgeted; (3) Johnston Atoll has adequate space to safely store the munitions but not enough space to comply with DOD's preferred storage methods for chemical weapons; and (4) DOD certified that an adequate stockpile of binary chemical weapons would exist before the transfer began but later determined that the planned increase in these weapons was unnecessary.

**Army Training:
Evaluations of Units' Proficiency Are Not Always Reliable**

GAO/NSIAD-91-72, Feb. 15 (46 pages).

To assess the combat readiness of its forces, the Army uses several measures, including an assessment of the proficiency of unit training. However, GAO found that because home-station training for Army units generally lacks realism and evaluators use ambiguous criteria and may not be objective, evaluation results do not provide reliable information about the ability of units to carry out wartime missions. Further, the proficiency of active Army units as measured by their performance under more rigorous conditions at combat training centers is often less than that indicated by readiness reports. GAO also found that evaluations of Army National Guard units' annual training provide even less reliable and useful information to higher commands than do active Army home-station evaluations. These evaluations rely on training often done under unrealistic conditions and are not focused on mission-essential tasks. Moreover, the evaluations provide often general and sometimes conflicting information.

**Defense Stockpile:
Defense Logistics Agency Contract Award for Cobalt**

GAO/NSIAD-91-64, Feb. 19 (seven pages).

In GAO's view, the Defense Logistics Agency's 1989 contract with a Canadian firm—Sheritt Gordon Limited—to upgrade the U.S. government's strategic stockpile of cobalt was awarded properly. Although Sheritt was the highest bidder, the two other bidders did not offer cobalt from a "designated country," such as Norway, as required by the Trade Agreements Act. GAO concludes that objections to the contract award to Sherritt had no merit. Defense Logistics Agency officials said that plans to upgrade the strategic stockpile are only in the preliminary discussion phase. They also said that even after such plans have been finalized, they would be considered procurement sensitive and could not be disclosed publicly.

**Army Force Structure:
Planning for the Drawdown of Forces and Equipment in Europe**

GAO/NSIAD-91-139, Feb. 22 (17 pages).

In March 1989, NATO and the Warsaw Pact began negotiations to reduce conventional armed forces in Europe. In recognition of the dramatic political reforms in Eastern Europe and in response to increased force reductions, the United States proposed that its ground and air forces be cut to 225,000. This report discusses (1) the status of Army planning for the reduction of U.S. forces in Europe and (2) the Army's plans to maintain accountability and control over the movement and disposition of equipment, the transfer of Army personnel and their dependents and possessions to other locations, and the disposition of facilities planned to be transferred to the host nation government. GAO found that while the Army had developed a comprehensive drawdown implementation plan by November 1990, implementation of this plan was largely overtaken by the deployment of U.S. Army troops and equipment from Europe to the Middle East. In light of Operation Desert Storm, GAO believes that some of the established goals, assumptions, assigned roles, and resources covered in the plan will need adjustment. Moreover, GAO's review revealed several issues of concern: Is the established 190-day time frame for completing a drawdown of a unit realistic? To what extent do equipment and facilities need to be upgraded prior to transfer and how much time and resources will it take? What rate of drawdown can the Army most efficiently handle?

Testimony

Professional Military Education, by Paul L. Jones, Director of Defense Force Management Issues, before the Panel on Military Education, House Committee on Armed Services. GAO/T-NSIAD-91-4, Feb. 5 (12 pages).

GAO testified on its review of Phase I joint professional military education at the four intermediate and three senior service schools. Overall, GAO indicated that the seven service schools have responded very favorably to the recommendations of the Panel on Military Education (part of the House Armed Services Committee), with each school taking positive action on at least 90 percent of the recommendations. Although the schools have taken many positive steps to improve the quality of joint professional military education, concerns exist in curriculum, faculty, and student evaluation areas that warrant the Panel's continuing attention. These areas include in-residence Phase I education, the distinction between the intermediate school and the senior school curricula (at the Naval War College), prescribed levels of non-host faculty and student mixes and student/faculty ratios, and letter grades (at the Army senior school and at both Air Force schools).

Implementation of the Certification Requirements of the Procurement Integrity Law, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-NSIAD-91-5, Feb. 21 (20 pages).

GAO testified on the implementation of the Procurement Integrity Law, which requires competing contractors and federal procurement officials, including contracting officers, to execute written certifications before the award or modification of contracts exceeding \$100,000. Officials representing both parties must certify that they have no knowledge of any conduct prohibited by the law, such as the offering of gratuities or discussions about future employment. GAO discusses some of the experiences of federal agencies and contractors—including possible violations—in implementing the certification requirements during the initial 4-1/2 months the law was in effect (July 16 through November 30, 1989).

The Administration's Proposal for Financing Operations Desert Shield and Desert Storm, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Budget. GAO/T-NSIAD-91-9, Feb. 27 (19 pages).

In his testimony on the Administration's cost estimates and financing proposal for Operations Desert Shield and Desert Storm, the Comptroller General stressed three main points. First, the financing of Operation Desert Storm must ensure that U.S. troops in the Persian Gulf receive all the support they need. Second, rather than delivering an "open check-book" for war expenses, Congress should provide needed money only through periodic supplemental appropriations. Third, funds to prosecute the war should come first from allied pledges; taxpayer dollars should be appropriated only if they are needed to supplement allied pledges. GAO believes that a \$17 billion appropriation, which should be drawn from funds deposited in the Defense Cooperation Account, would cover the anticipated funding requirements of Gulf operations for the first half of fiscal year 1991. Congress, however, should place limits on its use by clearly stating that incremental costs do not include the higher fuel costs DOD is incurring outside the Middle East. GAO also believes that to ensure appropriate disposition of funds and assets made available for the Gulf operations, a full accounting of expenditures should take place at war's end.

Natural Resources

Federal Fire Management: Limited Progress in Restarting the Prescribed Fire Program

GAO/RCED-91-42, Dec. 5 (15 pages).

Severe wildland fires raged in many parts of the western United States during 1988. Perhaps the most publicized of these fires was at Yellowstone National Park, where 700,000 acres burned as a result of a decision to allow "natural fires." In the wake of the ensuing public controversy over this policy, the federal government suspended its prescribed fire program and set up a Fire Management Policy Review Team to study federal fire management approaches at national parks and wildernesses. The Review Team (1) reaffirmed that fire is beneficial and even necessary to wildlands and (2) made several recommendations that formed the basis for a revamped prescribed fire program. However, GAO found that the Park Service and the Forest Service have—for several reasons—made little progress in implementing the new program. First, federal fire management agencies have been slow to approve fire management plans for individual parks and wildernesses, as well as regional interagency fire preparedness plans. Second, some regional preparedness plans are inconsistent with the national interagency preparedness plan. Third, the prescribed fire program faces resource limitations and resistance by some fire and wilderness managers. Fourth, some fire and

wilderness managers still subscribe to the philosophy of suppressing all fires. GAO believes that firm dates are needed for completing those actions prerequisite to implementing an effective prescribed fire program and that monitoring is essential to determine the degree to which resource limitations and other factors are preventing the program from reaching its full potential.

Mineral Revenues:

Potential Cost to Repurchase Offshore Oil and Gas Leases

GAO/RCED-91-93, Feb. 22 (11 pages).

The Interior Department's offshore oil and gas leasing program issued 123 leases offshore Florida, North Carolina, and Alaska between 1981 and 1988 that have since been suspended before exploration or development could begin. The suspensions were imposed on the basis of environmental concerns. Companies holding the leases paid a total of \$507.8 million upfront for the leases and another \$9.9 million in annual rent fees. GAO estimated the cost to the federal government of buying back the leases at between \$889.4 million and \$970.7 million for the 123 leases in bonuses, rents, and interests owed the companies, plus an additional \$42.5 million the companies have spent on the leases. Thus, as of December 31, 1990, under the sunk cost approach, the government could be required to reimburse the lessees for about \$1 billion.

Testimony

Changes Needed in the Forest Service's Recreation Program, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-91-10, Feb. 26 (seven pages).

Despite increases in appropriations during the latter part of the 1980s, the Forest Service has been unable to either develop or maintain recreational sites. GAO estimates that at least \$644 million is needed to eliminate the maintenance and reconstruction backlog for developed sites and trails; millions more will be needed to develop special recreation areas to their planned levels and to keep both them and wilderness areas up to current standards. GAO also testified that the Service has not developed uniform, consistent national data on the maintenance and reconstruction needs of these holdings. Maintaining the status quo will, in GAO's view, result in further degradation of sites and areas, continued health and safety hazards, and the loss of sites and areas. As a result,

the Forest Service needs to develop a strategy to guide the future direction of its recreation program.

Forest Service Wilderness Management Funding, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-91-11, Feb. 26 (four pages).

GAO testified that between fiscal years 1988 and 1990, about 37 percent of the funding received by the Forest Service for managing wilderness was diverted to other purposes, including recreation management and cultural resource management. Of the remaining 62 percent of the funding, less than two-thirds actually reached the Forest Service district offices responsible for day-to-day management of wilderness areas. The rest was used for other program expenses within the Forest Service, primarily salaries and administrative costs.

Science, Space, and Technology

Federal Research: Super Collider Estimates and Germany's Industrially Produced Magnets

GAO/RCED-91-94FS, Feb. 12 (21 pages).

This fact sheet provides information on the growth of the Department of Energy's cost estimate for its Superconducting Super Collider and on Germany's experience with industrially produced superconducting magnets for its Hadron Electron Ring Accelerator. GAO presents a chronological history of the Super Collider cost estimates and discusses scientific activities at a high energy physics facility in Hamburg, Germany, which suggest that superconducting magnets can be industrially produced.

Social Services

Computer Matching Act: Many States Did Not Comply With 30-Day Notice or Data-Verification Provisions

GAO/HRD-91-39, Feb. 8 (29 pages).

To improve payment integrity and to reduce erroneous payments in the face of mounting budget deficits, Congress passed legislation in 1984 requiring each state to determine recipients' eligibility for AFDC, Food Stamp, Medicaid, and other programs by computer-matching federal

income tax data as well as other federal and state source data. States were required to give recipients at least 10 days notice before reducing or cutting off benefits. The Computer Matching and Privacy Protection Act of 1988 expanded the data-verification and advance notice provisions by directing states to (1) independently verify all federal furnished data, including that provided by the Social Security Administration, used in a state computer matching program and (2) give people at least 30 days notice before cutting any benefits. A majority of the states told GAO that they had implemented the 30-day notice and data-verification provisions, although some states said that these provisions would be costly and expressed hope that Congress would amend the provisions. As of June 1990, over half the states had implemented the 30-day provision; the rest said that they were planning to do so in the near future. GAO found that while most states used SSA benefit data in their computer matching program, nearly half did not verify this information. About 22 percent of the states said that the act's provisions conflicted with state laws or regulations, which often required a 10-day notice period. Although 26 states provided cost estimates for implementing the 30-day notice provision, GAO found these estimates to be unreliable.

Transportation

Airline Competition: Fares and Concentration at Small-City Airports

GAO/RCED-91-51, Jan. 18 (17 Pages).

GAO examined fares and competition at 39 airports serving small cities (with populations of up to 300,000) like Sioux Falls, South Dakota, and Bismarck, North Dakota. Results indicated little disparity between fares at small-city and major airports. Passengers flying from small cities paid only three percent more than did passengers flying from major airports. Fares at concentrated small-city airports (that is, served by only one or two airlines) were only an average of six percent higher than were those at unconcentrated small-city airports. However, GAO found that concentration at major airports has a strong influence over fares for passengers flying from small cities. Passengers going from a small-city airport to a major airport paid 34 percent more if the major airport was concentrated rather than unconcentrated. If both airports were concentrated, fares were 42 percent higher compared with when both airports are unconcentrated. This finding suggests that concentration at major airports can mean higher fares for passengers flying not only from them but to them.

Testimony

U.S. Airlines: Weak Financial Structure Threatens Competition, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-91-6, Feb. 6 (24 pages).

The deteriorating financial condition of the U.S. airline industry over the past several years has raised concern that as carriers go bankrupt, competition will decline and prices will rise. GAO believes that action must be taken now to preserve effective competition in the airline industry. While the need for such action has been apparent for at least two years, GAO testified that the declining fortunes of several carriers makes this need even more imperative. Yet the Department of Transportation continues to deliberate—as it has for over a year—new rulemakings on slots and computerized reservation systems, and even proposed rules are likely months away. GAO notes that continued delay by the Department of Transportation may undermine the effectiveness of the reforms in preserving competition. In GAO's view, steps to encourage use of preferential-use gate leases at airports and to restrict frequent flyer plans should also be considered. While opening the U.S. market to foreign competition might offer some long-term hope for improved competition, such changes would be most appropriate in the context of a reciprocal agreement for improved access to foreign markets. GAO offers the caveat that improved competition will be to no avail if firms continue to burden themselves with excessive debt.



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