

GAO

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Reports and Testimony: May 1992

Highlights

Pharmaceutical Industry

Many industries have benefited from section 936 of the tax code, designed to foster economic growth in Puerto Rico, but none as much as the pharmaceutical industry, which enjoyed about half of the total tax benefits under this section of the law while providing only 15 to 18 percent of the jobs. Page 54.

Health Insurance Fraud

With fraud and billing abuse by the nation's health care providers costing private insurance companies and public programs an estimated \$70 billion annually—and perhaps \$100 billion by 1995—Congress should consider establishing a national health care fraud commission to combat the problem. Page 21.

WIC Program

The federal government's Special Supplemental Food Program for Women, Infants, and Children—which provides low-income pregnant women with nutrition education and referral to social service agencies—is a sound investment; each dollar spent on WIC saves almost \$3 within the infants' first year, primarily by reducing public and private health care costs. Page 53.

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THE PRESIDENT'S STATEMENT: A

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Reports and Testimony: May 1992

Agriculture and Food

Food Safety and Quality:

Salmonella Control Efforts Show Need for More Coordination

GAO/RCED-92-69, Apr. 21 (45 pages).

Efforts by the U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) to control salmonella outbreaks due to contaminated eggs have been stymied by questions of jurisdiction, lack of scientific data on the salmonella problem, FDA resource considerations, and disagreement between USDA and FDA about what actions to take. These difficulties, like other problems in the food safety area, arise from the present regulatory structure of split and concurrent jurisdictions; food safety efforts are being impeded as a result. Egg safety cannot be ensured without additional controls beyond USDA's current program to test chicken flocks. Flocks that have tested salmonella-free can later become infected by rats or environmental conditions, and some infected eggs may reach the marketplace. The health threat can increase with improper handling as the bacteria continue to multiply. GAO concludes that a comprehensive program is needed to control salmonella through all stages of egg production, distribution, and consumption.

Agriculture Payments:

Number of Individuals Receiving 1990 Deficiency Payments and the Amounts

GAO/RCED-92-163FS, Apr. 27 (36 pages).

The U.S. Department of Agriculture (USDA) pays producers under several farm programs, including the disaster assistance, conservation reserve, and income support programs. This fact sheet provides information for crop year 1990 on the (1) number of individuals who—by participating in USDA's farm programs for wheat, feed grains, cotton, and rice—received income support payments in their own name and through entities, general partnerships, and joint ventures and (2) the amount of these payments.

Budget and Spending

Impoundments:

Comments on Proposed Rescissions of Defense and Energy Budget Authority

GAO/OGC-92-10, May 18 (five pages).

On April 8, 1992, the President submitted to Congress his 73rd special impoundment message for fiscal year 1992, and on April 9 he submitted his 74th through 101st special impoundment messages. GAO reviewed the messages, which involve funds at the Defense Department and the Department of Energy, and found them to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless Congress passes a rescission bill within 45 days after having received the proposal. GAO and the Office of Management and Budget agree that the 45-day period for the April 8 message will end on June 18, 1992, and the 45-day period for the April 9 message will end on June 19, 1992.

Business, Industry, and Consumers

Small Business:

Losses on Individual SBA Loan Programs Are Not Fully Disclosed

GAO/RCED-92-90, Apr. 17 (12 pages).

The 7(a) general business loan program, the Small Business Administration's (SBA) largest financial assistance program, aids small businesses that cannot obtain credit at reasonable terms from conventional lenders without government assistance. Losses for the program, however, are not fully disclosed in SBA's annual loss study because the actual results from the sale of acquired collateral are omitted. In addition, expenses incurred in managing and selling collateral are not included in collateral sales accounts nor in the annual loss study. While SBA may not consider these unreported losses significant when compared with total cumulative loan program losses or program disbursements, they do amount to millions of dollars and should be disclosed so that individual 7(a) loan program losses are more accurately reported to SBA program managers and Congress. In formulating protective bids to acquire collateral, SBA does not consistently comply with its standard operating procedures for determining collateral values and sometimes acquires collateral that costs the taxpayers more than it is worth. Furthermore, the assigned collateral values may provide borrowers excessive debt relief and preclude SBA from future collection opportunities.

Small Business:

SBA Needs to Improve Administrative Practices for Disaster Operations

GAO/RCED-92-144, May 7 (41 pages).

Shortly after Hurricane Hugo struck the U.S. Virgin Islands in September 1989, the Small Business Administration (SBA) set up temporary offices in St. Thomas and St. Croix to help homeowners and businesses obtain disaster assistance loans. A number of allegations were raised about improper hiring practices involving temporary employees and improper reimbursement of travel expenses. GAO found that some SBA hiring, supervision, promotion, and pay practices were inappropriately handled during the Hugo disaster operation. While SBA is undertaking steps to prevent a recurrence of these problems, SBA procedures for issuing temporary waivers of the automatic reduction in per diem paid to temporary employees still do not include documentation and periodic review requirements. In addition, because of a six-month limit on paying per diem to temporary disaster employees, SBA had to release or transfer some employees before their work was done, disrupting the work flow and making the SBA work force less efficient.

Civil Rights

U.S. Commission on Civil Rights: The Commission Has Complied With FY90 Appropriation Act Provisions

GAO/GGD-92-83, May 12 (four pages).

The fiscal year 1990 appropriation for the Commission on Civil Rights set restrictions on how the funds were to be spent, including capping the amount used to employ consultants and limiting the number of Schedule C employees that could be hired as assistants to the eight commissioners. GAO found the Commission to be in compliance with the legislation's restrictions.

Economic Development

Testimony

Rural Development: REA Telephone Borrowers' Cash Holdings and Rural Development Investments, by Flora Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-92-65, May 20 (13 pages).

This testimony examines the investments and rural development activities of Rural Electrification Administration (REA) borrowers. GAO discusses (1) the reasons why rural telephone companies that hold REA loans (REA telephone borrowers) have large amounts of cash and cash equivalents, such as certificates of deposit; (2) the extent to which REA borrowers are investing in their local rural areas; and (3) the status of REA's implementation of its 1987 and 1990 legislative mandates for rural economic development.

Employment

Occupational Safety and Health: Employers' Experiences in Complying With the Hazard Communication Standard

GAO/HRD-92-63BR, May 8 (63 pages).

The Hazard Communication Standard requires employers to identify chemical hazards in the workplace and alert employees about them. Of the small employers (those with fewer than 20 employees) GAO surveyed, almost 70 percent reported little difficulty with either of the two material safety data sheet requirements. Almost 80 percent of these employers, however, had difficulty complying with the standard's training requirements. More than half of small employers reported some cost increases to comply with the standard's paperwork/clerical requirements, but fewer than a fifth reported "great" or "very great" cost increases. Although the Occupational Safety and Health Administration's (OSHA) methodology for estimating small employers' costs to comply with material safety data sheet requirements is sound, the estimates derived from the cost model depend on assumptions OSHA made about the values of the variables. In one case, OSHA understated compliance costs by excluding benefit costs like health benefits from its wage rate variables. About 45 percent of employers surveyed believe that the standard has been beneficial for workers, and more than 56 percent of all employers reported a "great" or "very great" improvement in availability of hazard information in the workplace and in management's awareness of workplace hazards. About 30 percent of employers said that they had replaced hazardous chemicals in their workplace because of information they received on a material safety data sheet.

**Occupational Safety and Health:
Options to Improve Hazard-Abatement Procedures in the
Workplace**

GAO/HRD-92-105, May 12 (28 pages).

Current fatality rates suggest a safer workplace than when the Occupational Safety and Health Act was passed in 1970. Nevertheless, thousands of U.S. workers die each year in workplace accidents, and many more are seriously injured or develop work-related illnesses. Proposed legislation before Congress—the Comprehensive Occupational Safety and Health Reform Act—would (1) seek to protect workers in imminent danger situations, (2) require employers to abate serious hazards while they contest citations for safety and health violations, and (3) require employers to verify that they have abated hazards. This report compares OSHA's procedures in each of these three areas with the provisions of the proposed bill. GAO also compares OSHA's procedures in these areas with those of the Mine Safety and Health Administration and with the procedures used by 21 states operating OSHA-approved state safety and health programs.

**Occupational Safety and Health:
Worksite Safety and Health Programs Show Progress**

GAO/HRD-92-68, May 19 (36 pages).

Every day, at least 13 workers die and 11,000 are injured seriously enough to require lost workdays or restricted activity at work. Although inconclusive, available information suggests that comprehensive safety and health programs can improve safety and health at the worksite. GAO found that concerns about these programs centered on implementation issues, rather than on program worth. GAO believes that implementation problems can be overcome if program requirements and enforcement policies parallel those in the states. In addition, many employers are already required to have written plans for specific workplace hazards, so comprehensive safety and health program requirements would entail little extra effort. Still, some uncertainty remains about the difficulty employers in different industries would face in implementing required programs. Data limitations on program burden and impact make it hard for GAO to recommend that these programs be required for all employers. Available information suggests, however, that the potential reductions in injuries, illnesses, and fatalities would justify any additional burden associated with

implementing these programs, at least for high-risk employers with high injury and illness rates or a history of safety and health violations. In addition, the Occupational Safety and Health Administration should collect enough information about impact and implementation experience to determine whether the requirement should be extended to other employers.

Energy

Nuclear Science:

Fast Flux Test Facility on Standby, Awaiting DOE Decision on Future Missions

GAO/RCED-92-121FS, Apr. 9 (nine pages).

The Fast Flux Test Facility, located at the Hanford Reservation in Washington State, is the Department of Energy's (DOE) newest and largest test and research reactor facility. In operation since 1982, the facility is designed primarily to test how well materials and components proposed for use in advanced reactors work in an operating test reactor. This fact sheet explores the rationale for DOE's 1990 decision to shut down the facility as well as DOE's response to proposals to keep the facility operating.

Electricity Supply:

Regulating Utility Holding Companies in a Changing Electric Industry

GAO/RCED-92-98, Apr. 9 (34 pages).

How adequate are consumers and investors protected in the electric utility industry? This report looks at (1) recent changes within the electric utility industry that involve utility holding companies; (2) the effect of these changes on the Securities and Exchange Commission's (SEC) administration of the Public Utility Holding Company Act of 1935; and (3) the relationship between SEC, the Federal Energy Regulatory Commission, and state regulators in protecting consumer and investor interests in the changing industry.

**Electricity Supply:
Efforts Under Way to Improve Federal Electrical Disruption
Preparedness**

GAO/RCED-92-125, Apr. 20 (36 pages).

This report examines the federal government's plans and policies for meeting major disruptions in the supply of energy, such as those caused by severe weather or sabotage. GAO discusses (1) to what extent the Department of Energy (DOE) includes other federal, state, local, and utility organizations in its preparedness planning; (2) how sufficient the statutory authorities available to federal agencies are for responding to major electrical disruptions; and (3) whether emergency plans incorporate restoration priorities and measures to help ensure adequate supplies of electrical equipment.

**Energy Management:
Vulnerability of DOE's Contracting to Waste, Fraud, Abuse, and
Mismanagement**

GAO/RCED-92-101, Apr. 10 (36 pages).

The Department of Energy (DOE) spends about 90 percent of its budget—more than \$17 billion in fiscal year 1990—on contractors, primarily those managing nuclear weapons facilities. Persistent weaknesses in DOE's oversight and management of contractors have led GAO to designate DOE contracting as one of 16 government programs at high risk for waste, fraud, abuse, and mismanagement. This vulnerability arises mainly from DOE's long-standing management approach of indemnifying nearly all contractor costs and not exercising adequate oversight over contractor operations and activities. This report discusses in detail (1) problems resulting from DOE's approach to contracting and (2) DOE's recent efforts to address these problems.

**Cleanup Technology:
Better Management for DOE's Technology Development Program**

GAO/RCED-92-145, Apr. 10 (10 pages).

The Department of Energy (DOE) has implemented its technology development program for environmental cleanup and has funded major research and development projects. The program's funding for fiscal year

1992 is about \$303 million, and DOE is requesting about \$315 million for fiscal year 1993. The agency has not, however, developed measurable performance goals, overall cost estimates and schedules, and key decision points for evaluating program projects. Without these basic management tools, DOE will have a hard time determining what its objectives are, how best to achieve them, and when it has achieved them. Moreover, Congress will have difficulty determining what investments the program is making and what funding is needed.

Nuclear Waste:

DOE's Repository Site Investigations, a Long and Difficult Task

GAO/RCED-92-73, May 27 (76 pages).

More than 20,000 metric tons of highly radioactive wastes are stored at more than 70 sites across the country. Because these wastes will remain dangerous for thousands of years, the Department of Energy (DOE) is seeking to develop an underground repository for safe, permanent disposal of this material. Under 1987 legislation, DOE must consider Yucca Mountain, Nevada, as the sole potential repository site. This report focuses on (1) DOE's efforts to investigate Yucca Mountain since 1988; (2) DOE's efforts to ensure the early identification, primarily through surface-based tests, of any conditions that could disqualify the site; and (3) the effects of delays in DOE's obtaining environmental permits from the state of Nevada.

Environmental Protection

Hazardous Waste:

Impediments Delay Timely Closing and Cleanup of Facilities

GAO/RCED-92-84, Apr. 10 (48 pages).

In 1985, more than 800 of the nation's 1,538 land disposal facilities for hazardous waste were supposed to close because they failed to meet new operating requirements. As of October 1991, however, only 257 facilities had actually shut down. While the three states GAO reviewed generally complied with the Environmental Protection Agency's (EPA) guidelines by regularly inspecting facilities, EPA recently relaxed its inspection timeframes due to resource constraints. As a result, violations may go undetected for a longer period of time. The success of the three states in ultimately closing facilities is closely linked to ensuring that facilities install adequate groundwater monitoring systems, which are essential in identifying any threat to human health and the environment; facilities that

shut down with waste in place must monitor groundwater for at least 30 years. A lack of groundwater monitoring systems has delayed the closing and cleanup of facilities, as have lengthy negotiations and appeals once enforcement actions are started. A lack of guidance on the timing of post-closure permit applications can add further delays. As a result, contamination may continue to spread and endanger surrounding areas. GAO summarized this report in testimony before Congress; see:

Hazardous Waste: Impediments Have Delayed the Closing and Cleanup of Land Disposal Facilities, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-92-64, May 28 (17 pages).

**Environmental Enforcement:
Alternative Enforcement Organizations for EPA**

GAO/RCED-92-107, Apr. 14 (36 pages).

Although the Environmental Protection Agency (EPA) has given top priority to enforcing environmental laws and regulations, management and organizational problems have hindered its enforcement efforts. In particular, diffuse enforcement organization has contributed to a lack of clear accountability for adhering to agency policies. This report examines the advantages and disadvantages of the existing and alternative organizational structures for enforcement responsibilities at EPA.

Financial Institutions

**Securities Arbitration:
How Investors Fare**

GAO/GGD-92-74, May 11 (114 pages).

As a condition of doing business, stock brokers may require investors to agree to use arbitration rather than the courts to resolve any securities disputes between investors and the firm. Firms may also require such arbitration be done at a forum sponsored by the securities industry. Concerned that industry-sponsored forum may be biased, Congress, state regulators, and investor groups have raised doubts about whether such arbitration is fair to investors. In analyzing results of decisions in arbitration cases at both industry-sponsored and independent forums, GAO found no indication of a pro-industry bias. While GAO's review showed that

an investor was no more likely to prevail at an independent forum than in an industry-sponsored forum, it did not directly address the fairness of the arbitration process. GAO's review of arbitration procedures showed that arbitration forums lacked internal controls to provide reasonable assurances concerning either the independence of the arbiters or their competence in arbitrating disputes. Because the independence and experience of arbiters can determine the fairness of decisions, such internal controls are important to maintaining the integrity of arbitration.

Financial Management

Audit Resolution: Strengthened Guidance Needed to Ensure Effective Action

GAO/AFMD-92-16, Mar. 24 (17 pages).

Managers at NASA and the Departments of Education, Health and Human Services, and Veterans Affairs do not always ensure that actions have been completed on audit recommendations before claiming credit for completing such actions, nor do managers always maintain adequate documentation to support their claims that actions have been completed. Incomplete action can render audit resources less effective and can result in losses in federal programs and operations. Audit resolution problems are partly due to outdated federal guidance, which does not indicate when an audit recommendation should be closed or what documentation is enough to support closure of an audit recommendation. The Office of Management and Budget agrees with GAO's recommendations and has already begun revising the guidance.

University Research: Controlling Inappropriate Access to Federally Funded Research Results

GAO/RCED-92-104, May 4 (35 pages).

During the 1980s, the increasing importance of university research to technological innovation forged new links among industry, academia, and government. The federal government spent \$9.6 billion sponsoring research at universities in fiscal year 1990, while business outlays for such research topped \$1 billion that year. Closer ties between universities and the private sector raise concerns, however, about possible conflicts of interest or other relationships that might give businesses inappropriate access to and therefore an unfair advantage in commercializing the results

of federally funded research. Requiring that investigators and other key personnel disclose outside interests as part of the grant award process, which both the National Institutes of Health and the National Science Foundation are considering, is an essential first step toward improving university management controls over potential conflicts of interest. But GAO believes that additional steps are warranted to strengthen these controls and to address the ability of industrial liaison program members to get advance access to the results of federally funded research.

**Bureau of Indian Affairs:
Long-Standing Internal Control Weaknesses Warrant
Congressional Attention**

GAO/RCED-92-118, May 8 (30 pages).

Through its social services program, the Bureau of Indian Affairs (BIA) offers assistance to individual Indians and tribes. GAO found that two of these services, involving payments for welfare and the burial of indigents, are plagued by unjustified, improper, and inconsistent payments and are ripe for fraud and waste. These problems stem from weak internal controls—some as basic as inadequate supervision, failure to separate employee duties, and poor computer security. Similar problems have been repeatedly identified in BIA's social services program for more than a decade. The long-standing nature of internal control weaknesses and ineffective BIA efforts in the past to correct them indicate that an overall management commitment at all levels will be needed if an effective system of controls is to be established. Recent congressional initiatives to address persistent accounting and internal control weaknesses in BIA's management of Indian trust funds and the Office of Audit and Evaluation will need management support at all levels if these initiatives are to succeed. To ensure full management support, increased congressional oversight may be warranted.

**District of Columbia:
Audit of Fiscal Year 1991 Revenues to Be Used as Basis for Federal
Payment to the District**

GAO/AFMD-92-50, May 8 (six pages).

In the opinion of an independent certified public accountant, the District of Columbia's Schedule of Revenues and Nonoperating Revenues derived from the federal government and other sources for fiscal year 1991 is fairly

presented in accordance with generally accepted accounting principles. This schedule is used to determine the federal payment to the District of Columbia. GAO found nothing to suggest that the auditors' opinion was inappropriate or unreliable. The District's schedule includes local source revenues from its general, enterprise, and trust fund activities. Applying the formula to these total revenues results in a higher federal payment than historical trends would indicate; congressional hearings and committee reports have generally compared the federal payment to general fund revenues.

Asset Forfeiture:

U.S. Marshals Service Internal Control Weaknesses Over Cash Distributions

GAO/GGD-92-59, May 8 (22 pages).

In operating the asset forfeiture sharing program, the U.S. Marshals Service processes payments totalling hundreds of millions of dollars annually. In several instances, the districts GAO visited lacked adequate internal controls over sharing payments to ensure that assets were adequately protected. Department of Justice guidance over asset sharing payment processing is subject to interpretation by individual Marshals Service districts, which can lead to differing procedures that may not adequately safeguard forfeited funds. Although GAO's review was limited to two districts—the Central and Southern Districts of California—Justice's Inspector General found similar problems, including inadequate separation of duties and improperly processed invoices, in a representative sample of districts. GAO believes that the Central and Southern Districts should be told to strengthen their internal controls and the Southern District directed to change its policy over how sharing checks are made payable. Further, clear and specific guidance based on established internal control standards should be developed and distributed to all districts processing sharing payments. GAO doubts whether general instructions or reminders to follow existing guidance will prevent staff interpretations.

Financial Reporting:

Accounting for the Postal Service's Postretirement Health Care Costs

GAO/AFMD-92-32, May 20 (26 pages).

The U.S. Postal Service's pay-as-you-go accounting for postretirement health benefit costs is in accordance with generally accepted private-sector accounting principles. However, disclosure of the full amount of accrued benefits earned by Postal Service employees and retirees in notes accompanying the financial statement would provide Congress, the executive branch, the Postal Rate Commission, and the public with more complete information to evaluate oversight matters, requests for rate changes, and performance. GAO disagrees with the Postal Service that it would be impractical and confusing to disclose these future costs in notes to the financial statements. Regardless of how health care costs are accounted for and funded, Postal Service estimates show that at least a one-cent increase in first class mail rates will be needed by the year 2003. If they are accrued and fully funded, first class rates could jump by three cents as early as 1994, increase again by only a cent by 2011, and then decrease thereafter. Conversely, smaller but more frequent rate hikes would be needed on a pay-as-you-go basis—an average of about one cent every other year after 2011.

Financial Audit:

House Recording Studio Revolving Fund for 1990 and 1989

GAO/AFMD-92-18, May 20 (14 pages).

GAO audited the balance sheets of the House of Representatives Recording Studio Revolving Fund for 1990 and 1989 and the related statements of operations and cash flows for those years. The studio makes photographic prints, as well as radio and television tapes, for individual House Members and committees for official business. In GAO's opinion, the financial statements present fairly the financial position of the fund for 1990 and 1989 and the results of its operations and cash flows for those years in conformity with generally accepted accounting procedures. A discussion of internal control structure and compliance with laws and regulations is also included in this report.

Testimony

Financial Management: NASA's Decisions Are Based on Unreliable Systems Data and Reports, by Donald R. Wurtz, Director of Financial Integrity Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-AFMD-92-9, May 7 (13 pages).

NASA's internal controls, policies and procedures, and financial management systems do not ensure that tens of billions of dollars in appropriations and contractor-held property are properly and accurately accounted for or adequately safeguarded. This testimony addresses weaknesses in four broad areas of NASA financial management. GAO indicates that NASA lacks (1) accurate and reliable contractor data for managing its programs, formulating its budgets, and ensuring that its contractor-held property is adequately controlled and the value accurately reported by contractors; (2) effective controls over the use of budget funds; (3) accounting systems that facilitate reliable financial reporting; and (4) adequate financial management oversight.

American Samoa: Financial Management Practices, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on Insular and International Affairs, House Committee on Interior and Insular Affairs. GAO/T-NSIAD-92-30, May 19 (10 pages).

This testimony focuses on problems with American Samoa's financial management practices and the Department of the Interior's oversight of the financial assistance provided to the territory. While Interior has been encouraging the economic self-sufficiency of the territory for more than 40 years, serious and persistent financial management problems have hampered this goal. GAO discusses (1) the financial conditions during the last decade that led to American Samoa's current General Fund deficit, (2) issues affecting the amount and collections of local revenues, (3) the government's financial management practices for selected high-cost areas, and (4) the adequacy of Interior's oversight.

Government Operations

Intergovernmental Relations: Changing Patterns in State-Local Finances

GAO/HRD-92-87FS, Mar. 31 (58 pages).

This fact sheet presents data on aggregate state and local government revenues, expenditures, and related variables during the 30-year period from 1961 to 1990. Federal aid to state and local governments only began in the 1960s, so this timeframe helps put in perspective the recent policy changes of the 1980s. GAO found that the state-local sector is running a deficit in financing its current service operations—one that is approaching a record high for the 30-year period—and state-local tax burdens continue to rise and have also reached a 30-year high. On the expenditure side, state

and local governments are increasingly picking up the tab for U.S. domestic expenditures. Health care spending is the most rapidly growing area in state-local budgets. Real levels of spending for cash assistance and capital investment have been virtually flat during the past three decades. On the revenue side, federal support to state and local governments leveled off in the late 1970s and has been declining ever since. Such revenues have increasingly shifted toward Medicaid and away from most other areas, especially investments in transportation, job training, and community and regional development. Personal income and general sales taxes have been the most rapidly growing sources of revenues generated by state-local governments themselves. Despite a brief decline in the late 1970s, local property tax revenues have resumed the steadily upward rise seen in the 1960s.

**Program Performance Measures:
Federal Agency Collection and Use of Performance Data**

GAO/GGD-92-65, May 4 (32 pages).

Proposed legislation would require all federal agencies to develop standards and goals and to measure and report progress toward them. GAO surveyed more than 100 federal agencies, all of which had more than 1,000 employees or more than \$500 million in annual outlays, and found that many of them have a range of program performance measures. However, relatively few reported having the organizational characteristics that would make it more likely for them to use their performance measures to assess progress towards goals in their strategic management plans. In fact, most of the agencies GAO visited used measures to provide internal information on their past activities or present operations. As budgets tighten, many agencies find that using a range of performance measures can be beneficial, providing managers information about accountability, efficiency, and effectiveness while also providing Congress and the public with information on how public resources are being spent.

**Federal Employment:
Displaced Federal Workers Can Be Helped by Expanding Existing Programs**

GAO/GGD-92-86, May 5 (19 pages).

Due to base closures and realignments, the Defense Department (DOD) plans to cut nearly 230,000 civilian positions through fiscal year 1997. DOD

and the Office of Personnel Management (OPM) acknowledge that the large number of reductions will severely strain ongoing federal placement programs to find jobs for displaced federal employees. DOD and OPM have tried to help displaced workers by establishing the Defense Outplacement Referral System, which provides prospective federal, state, local, and private employers with the names and qualifications of registrants. DOD plans to add civilian DOD personnel seeking employment outside the federal government to the data base. Despite these efforts, the data base will not be a comprehensive list of job vacancies or job seekers. As currently designed, OPM's Federal Job Opportunities Listing does not include all federal job openings, and the Defense Outplacement Referral System does not include non-DOD civilian job seekers. Expanding these data bases to include more jobs and job seekers would improve the federal government's ability to help displaced employees. In addition, given imminent DOD staff reductions, a timely resolution of eligibility issues for retraining workers is needed to ensure that displaced workers receive fair and consistent treatment and job retraining when it is needed most. GAO summarized this report in testimony before Congress; see:

Federal Employment: Federal Displaced Workers Can Be Helped by Expanding Existing Programs, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Human Resources and before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service.
GAO/T-GGD-92-38, May 6 (nine pages).

**Federal Buildings:
Many Are Threatened by Earthquakes, but Limited Action Has
Been Taken**

GAO/GGD-92-62, May 6 (87 pages).

About 40 percent of federally owned and leased buildings are found in areas where the risk of earthquake damage is moderate to very high, but little has been done to make the structures—or workers—safer. Even though buildings are located within the same seismic risk zone, damage to buildings would vary because of factors such as construction type and soil properties. Most agencies lack comprehensive data on these factors, so it is not possible to determine which buildings are more vulnerable than others. Although earthquakes threaten many federal buildings and employees, agencies' efforts to reduce building vulnerability have been limited. Agency officials did not have complete data on funds spent or

needed to strengthen buildings. Four of the six agencies GAO reviewed estimated that they will need about \$2 billion collectively to make their buildings more earthquake-resistant. Officials cited the lack of funding as a major impediment to improving seismic safety.

**U.S. Postal Service:
Priority Mail at Risk to Competition if Double Postage Rule Is
Suspended**

GAO/GGD-92-68, May 7 (18 pages).

First-class mail protections would not be appreciably reduced if Congress suspended or modified the double postage rule for extremely urgent letter mail. About 99 percent of this mail weighs less than six ounces and is delivered for less than \$1.50. As postal rates increase, however, the spread between the proposed minimal urgent mail exemption rate of \$3.00 will narrow or disappear, meaning that private carriers may make increasing *inroads into first-class mail delivery* unless the \$3.00 exemption rate is indexed to correspond with future rate increases. The Postal Service's Priority Mail, which advertises second-day service and has a mix of protected and unprotected material, would be immediately at risk to competition if the double postage rule were suspended. Priority Mail rates now start at \$2.90, only 10 cents less than the minimum \$3.00 limit. Private overnight companies, notably Federal Express and UPS, would be strong competitors for letters now sent by Priority Mail. Given the Postal Service's reputation for being less consistent and reliable than its major competitors in on-time delivery of overnight and second-day mail, the Postal Service could expect a significant loss of its Priority Mail letter business.

**Postal Service:
Automation Is Restraining But Not Reducing Costs**

GAO/GGD-92-58, May 12 (39 pages).

To improve productivity, the U.S. Postal Service has begun a \$5-billion automation project that will continue through 1996. Although the program is producing savings in some areas, automation is unlikely to reverse the long-standing tendency for Postal Service costs to outpace inflation. Notwithstanding the decrease in career employment and additional automation that was put in place in 1991, operating expenses for the year grew by almost seven percent and were \$295 million more than expected.

The decrease in career employment was offset considerably by increases in overtime and noncareer employees. More than half of the work in the Postal Service is not directly affected by automation, and savings achieved by automation are being overwhelmed by increases in labor costs. Finally, Post Service audits of postal operations have identified inefficiencies in the use of people and equipment in automation—more than \$187 million in lost savings in fiscal years 1990 and 1991 alone.

Coast Guard:

Use of Appropriated Funds for the Morale, Welfare, and Recreation Program

GAO/RCED-92-158, May 18 (15 pages).

The primary mission of the U.S. Coast Guard's Morale, Welfare, and Recreation Program is to provide activities, such as parties and reduced-price tickets to professional sporting events, and facilities, such as swimming pools and movie theaters, to boost the morale of Coast Guard members and their dependents. This report examines (1) the amount of appropriated and nonappropriated funds used to support the program, (2) how the Coast Guard's requirements on the use of such funds compare with the Defense Department's requirements for support of comparable programs, and (3) whether the Coast Guard's management of the program ensures effective use of funds.

Coast Guard:

Housing Acquisition Needs Have Not Been Adequately Justified

GAO/RCED-92-159, May 19 (nine pages).

During the next five years, the Coast Guard plans to spend more than \$200 million to purchase or build 1,200 houses for its members and their families. GAO found that the Coast Guard has not fully complied with requirements to justify the purchase or construction of nine housing projects for fiscal years 1990 through 1992. Although the Coast Guard documented its need for housing with general statements on local housing conditions, such as high rental costs or too little available housing, GAO found little or no support for these assertions. In addition, the Coast Guard did not adequately analyze alternatives such as leasing for meeting its housing needs. Finally, contrary to requirements in its own housing manual, the Coast Guard did not periodically assess housing market conditions following project approval, which occurs about three years

before funding becomes available. Thus, the Coast Guard did not adjust for any changes in housing availability that could have made building or purchasing housing unnecessary.

Testimony

Performance Measurement: An Important Tool in Managing for Results, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-GGD-92-35, May 5 (17 pages).

Public officials must be able to better guarantee Americans that the government can effectively account for where their tax dollars go and how they are used, a task that will require federal agencies and Congress to shift their focus from correctly spending allocated dollars to managing for results. Better information on program status and a change in management attitude are needed, along with stronger incentives for agencies to account for their results. The Comptroller General testified that agencies need to (1) clearly articulate their missions in the context of statutory objectives and, with regard to services, citizen expectations; (2) develop implementation plans for the goals and objectives and specific measures of progress toward achieving them; and (3) report annually on their progress. In addition, Congress needs to carry out effective program oversight to demonstrate to the executive branch that it will use the information provided to hold the agencies accountable.

Postal Automation and Pricing in the 1990s, by L. Nye Stevens, Director of Government Business Operations Issues, before the House Committee on Post Office and Civil Service. GAO/T-GGD-92-39, May 12 (10 pages).

During the past 20 years, the Postal Service's competitive position in the marketplace has been eroded, especially in parcel post and overnight mail. GAO believes that Congress should re-examine whether the criteria used by the Postal Rate Commission to set postal rates are still valid given changing marketplace realities. In particular, demand pricing and volume discounts may be appropriate pricing strategies to stem losses in the price-sensitive third-class mail market, which could drive up the cost of first-class postage to cover these losses. Congress could then be faced with demands to further open postal markets to competition or to subsidize the national delivery network through appropriations. This testimony also discusses Postal Service efforts to meet its competitive challenges by improving productivity and controlling costs through automation.

Government Civil Aircraft: Long-standing Management Problems, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on General Services, Federalism and the District of Columbia, Senate Committee on Governmental Affairs. GAO/T-GGD-92-44, May 21 (11 pages).

According to the General Services Administration (GSA), federal civilian agencies own at least 1,300 aircraft with an estimated value of \$2 billion. Conservatively, these aircraft cost at least \$750 million annually to operate and maintain. Although top-level officials' use of government aircraft for personal travel and other questionable purposes has received considerable media attention recently, such practices are not new. GAO work during the past 15 years has documented many long-standing examples of mismanagement and inefficient use of government civilian aircraft. This testimony summarizes past GAO work in this area and discusses the status of executive branch reforms to date.

Health

Health Insurance: Vulnerable Payers Lose Billions to Fraud and Abuse

GAO/HRD-92-69, May 7 (34 pages).

Health industry officials estimate that fraud and abuse contribute to about 10 percent of the \$700 billion-plus annual cost of U.S. health care. Weaknesses in the health insurance system allow unscrupulous health care providers—including medical equipment suppliers as well as practitioners—to bilk health insurance companies out of billions each year. At a time when financial ties are growing between health care facilities and the physicians who make referrals to them, health insurers, which operate independently, collaborate very little in confronting fraudulent providers. Further, high legal costs are deterring prosecutions. If the efforts of independent private payers, public payers, and state insurance and licensing agencies as well as state and federal law enforcement agencies were better coordinated, GAO believes that the attack on health care fraud and abuse would be more fruitful. GAO recommends that Congress establish a national health insurance fraud commission to analyze how insurers can standardize claims information and billing rules, how insurers can coordinate case development and prosecution efforts, whether and how to regulate unlicensed medical facilities, and what rules should govern physician referrals to medical

facilities in which the doctor has a financial interest. GAO summarized this report in testimony before Congress; see:

Health Insurance: Vulnerable Payers Lose Billions to Fraud and Abuse, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HRD-92-29, May 7 (six pages).

**Home Health Care:
HCFA Evaluation of Community Health Accreditation Program
Inadequate**

GAO/HRD-92-93, Apr. 20 (eight pages).

How well does the Community Health Accreditation Program ensure that home health agencies adhere to Medicare conditions of participation? GAO found that the Health Care Financing Administration's (HCFA) evaluation of the program's effectiveness is inadequate. HCFA determined that the program's standards were similar to Medicare conditions of participation and, where differences existed, the agreed-upon modifications to the program's standards were documented. But other areas cited in the proposed regulation, such as examining the accrediting organization's staff and other resources, received little or no evaluation. While HCFA has sought to address these issues, it plans no further program evaluation because it believes that its earlier work, together with GAO's, adequately evaluates the program's ability to ensure that Medicare conditions of participation are met. But GAO's work was not intended to be a detailed evaluation of the program, and GAO believes that HCFA should do a comprehensive evaluation before granting the program deemed status.

**Access to Health Insurance:
State Efforts to Assist Small Businesses**

GAO/HRD-92-90, May 14 (70 pages).

Recognizing that employees of many small firms cannot obtain health insurance, states have increasingly sought to make health insurance for small businesses more affordable and accessible. Because of the difficulties in marketing new insurance policies to small firms and because most of the reforms have been introduced during the recession, it is too soon to tell whether the reforms will increase insurance coverage. Budget

problems are limiting states' ability to adopt reform measures requiring substantial state subsidies or funding. As a result, states are tending to focus on reforms involving little or no cost to the state treasury. These reforms attempt to correct several serious problems in the market but have yet to significantly increase the number of small business employees with health insurance. Initiatives requiring state subsidization of the small business market are rarer, tend to be limited in scope and duration, and have produced limited results. Attempts to lower the cost of insurance by waiving state-mandated benefits have also produced only modest employer responses. Ultimately, small business market reforms may do little to make health insurance more affordable because they do not address the underlying growth in health costs. Advanced medical technology, the cost of uncompensated care to hospitals, medical malpractice insurance costs, and consumer trends in buying medical services are among the major factors driving the costs of health care. GAO summarized this report in testimony before Congress; see:

Access to Health Insurance: States Attempt to Correct Problems in Small Business Health Insurance Market, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-92-30, May 14 (seven pages).

estimony

Long-Term Care Insurance: Better Controls Needed to Protect Consumers, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-92-31, May 20 (11 pages).

Although National Association of Insurance Commissioner (NAIC) standards have expanded, consumers are still vulnerable to considerable risks in buying long-term care insurance. Consumers are at risk for two main reasons. First, many states have not adopted key NAIC standards. Second, the NAIC standards themselves do not sufficiently address several features of long-term care insurance with important implications for consumers. For example, policy language on matters like eligibility criteria is often vague and inconsistent across policies, making it hard to compare policies and judge which provisions can reduce the likelihood that a policyholder will receive benefits. Consumers also face considerable financial risks, such as price hikes that could make it difficult for them to retain their policies. In addition to problems with insurance policies and standards, GAO's work at eight insurance companies revealed that, except

for Medicaid recipients, the companies do little to prevent the sale of long-term care insurance to people who cannot afford it.

Medicare: Contractor Oversight and Funding Need Improvement, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Medicare and Long-Term Care, Senate Committee on Finance. GAO/T-HRD-92-32, May 21 (eight pages).

Fraud, waste, and abuse are contributing to the health care cost spiral confronting the United States. Medicare faces program losses because of exploitation by unscrupulous providers, erroneous payments, and excessive reimbursement rates. While the Health Care Financing Administration (HCFA) has generally tried to remedy identified weaknesses, the Medicare program remains vulnerable to unwarranted losses. Unless contractors have clear incentives to manage program dollars efficiently and effectively, it is unlikely that they will take the initiative to perform resource-intensive safeguard activities on their own—from investigating beneficiary complaints to reducing backlogs of identified overpayments. Contractors need some assurance that funding for safeguard activities will be stable and adequate so that they can hire and train necessary staff. Funding for these activities, however, has not been stable, especially when viewed in light of increased claims volume. Moreover, recent program changes require more resources from contractors. Consequently, GAO supports modifying the budget process to enable adequate and stable funding for Medicare program administration. GAO also believes that HCFA must be more aggressive in holding contractors accountable for their performance in program administration. To monitor and direct contractor actions, HCFA may need to develop better information systems, more focused performance measures, and stronger contractor guidance.

Housing

Testimony

Rural Rental Housing: Excessive Profits and Program Abuses in Multifamily Housing, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-92-63, May 13 (24 pages).

Private developers who combine low income housing tax credits with Farmers Home Administration (FmHA) loans to build multifamily housing for low-income renters in rural areas are reaping returns of up to 970 percent on their initial cash investment. Overall, GAO testified that FmHA's multifamily housing program is at high risk for fraud and abuse. Overstatement of construction costs, overcharging for project management and construction fees, and misuse and diversion of project funds have been a problem for years. During the past five years, 35 indictments and 26 convictions have been handed down against FmHA multifamily developers and project managers. FmHA officials recognize that many of these fraudulent and abusive activities have arisen because of a lack of internal controls and trained staff. FmHA is attempting to strengthen its internal controls, which should help minimize such problems in the future.

come Security

Social Security: Racial Difference in Disability Decisions Warrants Further Investigation

GAO/HRD-92-56, Apr. 21 (77 pages).

During the past 30 years, blacks have been allowed benefits at consistently lower rates than whites under the Social Security Disability Insurance program. Under the Supplemental Security Income program, a similar racial difference has been apparent for at least the last five years. GAO studied the lower allowance rate among blacks and found that, within the general population, blacks were receiving benefits at a higher rate than whites; within the severely impaired population, blacks were receiving benefits at a rate comparable to that of whites. This is so notwithstanding the lower allowance rate among blacks who apply for benefits each year. For the most part, the lower black allowance rate in 1988 initial decisions for the two programs appears to be due to black applicants' having less severe impairments and being younger than whites. For Supplemental Security Income applicants aged 18 to 24, however, the racial difference in initial decisions was almost twice that of any other age group. The racial difference was largely unexplained by differences in severity and type of impairment or in demographic characteristics.

Information Management

Customs Automation: Effectiveness of Entry Summary Selectivity System Is Unknown

GAO/IMTEC-92-20, Mar. 24 (17 pages).

The U.S. Customs Service's automated Entry Summary Selectivity subsystem is used to help import specialists determine whether appropriate duties have been paid and if trade laws are being violated. In developing the subsystem, Customs has failed to (1) follow sound development practices and (2) apply basic management controls, leading to problems that have gone largely uncorrected. Training for the subsystem has been recognized as inadequate, and Customs reports that only one in three users have terminals they can use to access the system. Further, Customs has no assurance that the subsystem is working as intended or is promoting uniform treatment of importers and imported merchandise—a key objective. Until Customs provides adequate management oversight and attention to the subsystem and implements basic controls, the prospects for successfully completing the subsystem remain doubtful.

Environmental Protection: EPA Needs a Better Strategy to Manage Its Cross-Media Information

GAO/IMTEC-92-14, Apr. 2 (20 pages).

Deficiencies in the Environmental Protection Agency's (EPA) information systems are impeding its ability to enforce environmental laws and regulations. EPA cannot readily bring together and correlate data from its various programs—such as hazardous waste or pesticides—to assess environmental risks comprehensively and target the most important enforcement efforts. Two key information systems fall short in helping EPA share and integrate data. In addition, the data suffer from problems with completeness, accuracy, and timeliness. These shortcomings are likely to persist unless the agency develops an information management strategy that directly addresses the need for better integrating the program offices' data and systems.

Medical ADP Systems: Composite Health Care System Is Not Ready to Be Deployed

GAO/IMTEC-92-54, May 20 (23 pages).

Development problems with the Defense Department's (DOD) plan to automate medical records at hundreds of military facilities worldwide could be jeopardizing patient safety as a result of doctors providing improper care, such as prescriptions, lab work, or radiation therapy, on the basis of incomplete information. GAO concludes that the Composite Health Care System, which is intended to improve the quality of DOD health care by integrating data used to manage and treat patients, is not ready to be deployed. Two critical system development and operational problems remain unresolved—multiple patient records and archiving of patient records. Clinical users often face slow response times, and limited progress has been made in developing an efficient way to enter doctors' inpatient orders. In addition, the scope and quality of system testing have been inadequate, and test results are inconclusive. Until DOD corrects these deficiencies, operational problems will persist and patient well-being may be threatened. Cost estimates for the system now exceed the \$1.6 billion congressional cost cap by \$400 million. Given its importance to U.S. servicemen and women, the system must meet development requirements to establish its safety and effectiveness and to ascertain that it is the most reasonable alternative for delivering needed medical support.

Testimony

Automated Patent System: Information on PTO's Program to Automate Patent Information and Processes, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Systems Issues, before the Subcommittee on Patents, Copyrights and Trademarks, Senate Committee on the Judiciary. GAO/T-IMTEC-92-19, May 12 (nine pages); and before the Subcommittee on Intellectual Property and Judicial Administration, House Committee on the Judiciary. GAO/T-IMTEC-92-20, May 28 (10 pages).

The Patent and Trademark Office (PTO) maintains the world's largest single source of technology information in retrievable form. PTO's files contain about 32 million documents involving U.S. and foreign patents as well as technical material. Although inventors and patent attorneys are PTO's principal clients, investors, corporations, and researchers also depend on the information PTO maintains. PTO began a long-term program in 1983 to automate the agency's paper files, along with patent application, examination, and dissemination processes. PTO estimates that it will have spent more than \$400 million on the Automated Patent System by October 1992 and that it will spend another \$555 million on the system during the next decade. GAO's testimony (1) provides a brief overview of the Automated Patent System program, (2) describes what PTO has

accomplished through its automation effort, and (3) discusses what remains to be done.

Tax Systems Modernization: Update on Critical Issues Facing IRS, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-IMTEC-92-18, May 13 (10 pages).

The Internal Revenue Service (IRS) has made substantial progress in addressing GAO's earlier concerns about the Tax Systems Modernization program. IRS now has clearly articulated its business vision. Through the introduction of new technology, the agency envisions dramatically reducing the burden on taxpayers, generating substantial additional revenue through improved voluntary compliance, and achieving significant productivity gains throughout the agency. In addition, it has finalized and published its Design Master Plan for the modernization and has developed a way to track costs, benefits, and schedules for modernization projects. IRS is also implementing a strategy for hiring, training, and retaining the expertise needed to carry out the modernization and is giving greater attention to security and privacy issues. GAO remains concerned, however, about IRS' effectiveness in addressing other factors affecting planning, systems development, and procurement that are critical to the program's success.

International Affairs

Overseas Staffing: U.S. Economic, Commercial, and Agricultural Staffing in Japan and Korea

GAO/NSIAD-92-162, Apr. 24 (20 pages).

This report discusses staffing at U.S. embassies and their consulates in Japan and Korea, two leading U.S. trading partners. Believing that the economic health of the United States and its competitiveness in world markets will strongly affect U.S. national security into the next century, the State Department has committed itself to a greater role in promoting economic and commercial interest overseas. Despite increasing in staffing in Japan and Korea, embassy and consulate employees said that they could do only limited analyses and reporting and could not fully address all important trade and economic issues. Budget constraints have also limited the hiring of additional staff and have restricted travel needed to

address these issues. While U.S. business representatives also believe that the embassies need additional resources and should provide more support to U.S. companies. They also believe that other countries, such as Germany and France, are providing more support in promoting exports than does the United States.

**State Department:
Backlogs of Tourist Visas at U.S. Consulates**

GAO/NSIAD-92-186, Apr. 30 (13 pages).

Twelve of 43 consulates GAO visited, including the one in Sao Paulo, Brazil, had nonimmigrant visa backlogs exceeding one week and ranging up to two months during 1991. These backlogs occurred primarily during peak tourist seasons, such as school vacations. Brazilian tourists wishing to visit the United States often had to endure considerable inconveniences to obtain visas, in some cases waiting in long lines out on the street. Embassy officials have suggested that the State Department charge fees for nonimmigrant visas more extensively than it now does and obtain legislative authority to use fee collections for additional staffing and facilities. Promotion of tourism tends to be a function of the Commerce Department rather than the State Department, and only 19 of the 43 consulates GAO reviewed had tourist promotion activities. Several consular officials and foreign travel industry representatives said that more communication is needed between representatives of the consulate and the travel industry.

**Poland and Hungary:
Economic Transition and U.S. Assistance**

GAO/NSIAD-92-102, May 1 (61 pages).

In response to rapidly changing political and economic conditions in Poland and Hungary, the United States developed a short-term, experimental approach to economic assistance that assumed that (1) aid would be needed for only a five-year transitional period; (2) regional rather than country-specific allocations of funds would enhance program flexibility; and (3) program planning, implementation, and management authority would stay in Washington, D.C., rather than be delegated to U.S. personnel abroad. This approach worked during the program's early phase; however, as circumstances changed and the economic problems facing Poland and Hungary became more fully known, some of the

underlying program assumptions proved unrealistic. The U.S. approach now hinders the host countries' planning for and prioritizing of assistance, limits the flow of information between the United States and the host countries, and complicates and may hamper management of the program.

**State Department:
1991 Immigrant Visa Lottery**

GAO/NSIAD-92-166, May 1 (18 pages).

This report discusses how the State Department processes visa applications for the "visa lottery" authorized by the Immigration Act of 1990. Under this legislation, 40 percent of the 40,000 special immigrant visas that the State Department can grant each fiscal year through 1994 should be available to Irish citizens. The State Department established a one-week period in October 1991 for individuals to apply by mail for visas and rented a post office in Merrifield, Virginia, to receive the applications. In public instructions, the State Department emphasized that mail received at the post office box before or after the one-week period would not be processed. According to the Postal Inspection Service, many people went to great lengths to ensure that their mail would arrive on time, with some individuals actually traveling to Merrifield the week before the application period to mail applications. GAO discusses (1) why the State Department tried to process the applications in the order they were received, (2) if accepting multiple applications was appropriate, (3) the possibility that companies advertised and charged fees to help aliens file applications and other paperwork, and (4) whether the State Department managed the lottery properly. GAO also explores ways to prevent firms from charging excessive fees to help aliens file applications or other paperwork for future lotteries.

**TV Marti:
Costs and Compliance With Broadcast Standards and International Agreements**

GAO/NSIAD-92-199, May 6 (23 pages).

Originating out of Washington, D.C., TV Marti broadcasts a mix of news on Cuba and Cuban-American issues to the Havana area. This report examines TV Marti's (1) costs since inception, including the value of support services provided by other agencies; (2) compliance with Voice of America broadcast standards; and (3) compliance with international

agreements. Two of the three consultants GAO employed to watch broadcasts expressed concern that the program content lacked balance and did not meet established Voice of America standards. Both of TV Marti's in-house critics also observed that some broadcasts might not meet standards. A monitoring agency has reported that TV Marti broadcasts interfere with Cuban broadcasts and do not comply with radio regulations requiring countries to broadcast only within their national boundaries in frequencies associated with AM and FM radio and television. TV Marti's recent expansion of its daily broadcasts has led to further Cuban complaints and counterbroadcasting into the United States.

**Aid to Panama:
Improving the Criminal Justice System**

GAO/NSIAD-92-147, May 12 (33 pages).

For more than two decades, the Panamanian military and police forces—known since 1983 as the Panamanian Defense Forces—essentially ran the country, controlling all branches of government. Military and police involvement in corruption and human rights abuses were widespread. In the aftermath of the U.S. military invasion, the United States began programs to help Panama reform its criminal justice system. This report discusses the status and effectiveness of U.S. efforts to assist Panama (1) develop professional police forces, (2) create an independent judiciary, and (3) improve prison conditions.

**Export Controls:
Multilateral Efforts to Improve Enforcement**

GAO/NSIAD-92-167, May 18 (24 pages).

The United States has long supported multilateral efforts to control exports of so-called "dual-use" items—civilian goods and technologies that could also be used for military purposes. Recent events, however, have radically altered international export control efforts. The collapse of the Soviet bloc has led to a relaxing of many controls over Western exports to the East, while revelations about Iraq's weapons programs have intensified concerns about the proliferation of weapons of mass destruction. This report reviews the current status of multilateral efforts to improve export control enforcement. GAO discusses (1) enforcement initiatives undertaken by the Coordinating Committee for Multilateral Export Controls and other multilateral export control regimes, (2) the potential impact on

multilateral export control enforcement resulting from the elimination of internal borders in the European Community, and (3) factors impeding the effectiveness of multilateral efforts to enforce export controls.

**Foreign Assistance:
AID's Implementation of Expired Appropriation Account
Legislation**

GAO/NSIAD-92-189BR, May 20 (10 pages).

This report reviews how the Agency for International Development (AID) implemented 1990 legislation that revised the rules governing federal agencies' management of fixed-year appropriations whose period of availability for obligation had ended—also known as “expired appropriations.” GAO discusses (1) AID's responses to the requirements of the law, including actions it has taken to preserve funds that would otherwise have been canceled pursuant to these sections, and (2) issues related to the obligation and expenditure of “no-year-if-obligated” funds provided to AID in its annual appropriation acts since fiscal year 1987, including the extent to which the no-year-if-obligated provision in AID's appropriations has enabled the agency to more effectively manage its operations.

Testimony

Foreign Assistance: Management Problems Persist at the Agency for International Development, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Foreign Operations, Senate Committee on Appropriations. GAO/T-NSIAD-92-31, May 1 (22 pages).

The Agency for International Development (AID) has serious and long-standing accountability and control problems that make its programs needlessly vulnerable to waste, fraud, and abuse. Some problems appear to be systemic, including limitations on AID's ability to monitor decentralized field operations, the lack of standard accountability requirements for overseas missions, and weaknesses in financial and information management systems. Although AID is trying to correct many of these problems, much more needs to be done. AID still lacks a clearly articulated strategic direction shared by Congress, the executive branch, and other key groups. As a result, the agency's efforts to reorganize, focus its program, plan for future work force needs, measure program performance, and implement major changes in financial and management

information systems may not be complementary. Establishing and following a strategic management process should enable AID to develop an agencywide direction, select effective management strategies to achieve this direction, address critical issues, assign accountability, and monitor feedback.

The U.S. Export-Import Bank: The Bank Plays an Important Role in Promoting Exports, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on International Development, Finance, Trade and Monetary Policy, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-92-36, May 6 (21 pages).

The U.S. Export-Import Bank is one of 10 federal government agencies offering programs to help exporters. In fiscal year 1991, federal outlays for export promotion programs totaled almost \$2.7 billion, and the government approved an additional \$21.4 billion in export loans and guarantees and export credit insurance. In light of congressional renewal of the Eximbank charter in 1992, GAO discusses federal export promotion efforts in general and the Eximbank's programs in particular.

Export Promotion: Overall U.S. Strategy Needed, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on International Finance and Monetary Policy, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-92-40, May 20 (19 pages).

Most industrialized nations have programs to help companies sell products abroad. These programs, collectively referred to as "export promotion," include business counseling, training, market research information, trade missions and fairs, and export financing assistance. Export promotion services in the United States are now fragmented among 10 government agencies, resulting in program inefficiencies and confusion in the U.S. business community. GAO testified that Congress should consider requiring government export programs to be unified under a national strategic plan. In GAO's view, the federal government can do a better job in helping competitive companies enter world markets by more effectively using the funds now devoted to export promotion programs.

Agriculture's Export Credit Programs: Delays in Accessing Records Relating to Iraq, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-92-47, May 29 (seven pages).

In investigating the Atlanta operations of the Banca Nazionale Del Lavoro and Iraq's participation in export credit programs, GAO experienced significant delays due to the reluctance of some government agencies to provide GAO with timely and complete information. (Under the law, GAO has full access to executive agency records to conduct audits and evaluations.) White House meetings in April 1991 addressed how executive branch agencies should respond to congressional requests for information on U.S.-Iraq policy before August 1990. Procedures were established whereby the agencies' general counsels would review all such requests, requesters would be allowed only to read some documents rather than receive copies, and alternatives to providing documents would be explored. In addition, the Department of the Treasury reported that at one of these meetings it was decided to prohibit note taking on the contents of classified documents. This testimony describes in detail the obstacles GAO faced at various government agencies and at the American embassy in Rome.

Justice and Law Enforcement

Drug Control: Inadequate Guidance Results in Duplicative Intelligence Production Efforts

GAO/NSIAD-92-153, Apr. 14 (28 pages).

The Defense Department (DOD) has helped bolster drug intelligence collection and increased overall understanding of the nature and scope of drug producing and trafficking organizations. Although the volume of drug-related intelligence being collected has risen, no single individual or group is directing the collection, analysis, and reporting of counternarcotics intelligence by both DOD and law enforcement agencies. Even though the Director of the Office of National Drug Control Policy sets priorities for intelligence functions and encourages agency cooperation regarding intelligence information, he lacks the authority to direct intelligence activities. The Director of the Central Intelligence Agency established the Counternarcotics Center to coordinate activities of the counternarcotics intelligence community. Neither the Counternarcotics Center nor DOD, however, have issued adequate guidance on the relative priority of two central but differing national objectives: (1) collecting, analyzing, and reporting information on major drug trafficking and producing organizations and (2) detecting and monitoring individual drug shipments. DOD's collection efforts do not appear to unnecessarily duplicate that of the drug law enforcement agencies, but the lack of

overall guidance has resulted in duplication in the critical production phase that follows intelligence collection.

**Drug Control:
Defense Spending for Counternarcotics Activities for Fiscal Years
1989-91**

GAO/NSIAD-92-82, Apr. 21 (28 pages).

This report examines the extent of the Defense Department's (DOD) spending for counternarcotics activities for fiscal years 1989 through 1991. DOD has been designated the lead agency for detecting and monitoring aerial and maritime smuggling of illegal drugs into the United States. In addition, DOD is responsible for creating an effective communications network in the war against drugs and for approving and funding state plans to expand the use of the National Guard in drug interdiction. GAO discusses (1) DOD's counternarcotics funding process, (2) the impact of any delays in providing obligation authority on the ability of DOD organizations to execute their counternarcotics missions, and (3) the process DOD uses to review counternarcotics program proposals before submission to Congress.

**Drug Control:
Difficulties in Denying Federal Benefits to Convicted Drug
Offenders**

GAO/GGD-92-56, Apr. 21 (20 pages).

Under the Anti-Drug Abuse Act of 1988, federal and state judges can impose sentences that make convicted drug offenders ineligible for certain federal benefits, including government contracts and guaranteed student loans; excluded are veterans, social security, and welfare payments. Legislation has been introduced that would deny convicted drug dealers and users access to federal benefits regardless of the sentence imposed. To provide baseline information for deliberations on this bill, GAO (1) assesses the status of federal and state court and federal agency efforts to deny convicted drug offenders access to federal benefits, (2) examines available data for insight into the impact that benefit denial has had on drug offenders, and (3) presents data on the possible effects of making benefit denial a mandatory sanction on conviction of a drug offense.

**Prison Expansion:
Staffing New Facilities Will Be a Challenge for BOP**

GAO/GGD-92-75, May 12 (35 pages).

The Bureau of Prisons projects that its inmate population will swell from about 60,000 in 1991 to more than 98,000 by 1995. In response, the Bureau is building and expanding prisons at an unprecedented rate: the Bureau plans to open 47 new facilities and expand 16 existing facilities between 1992 and 1995. This report examines (1) recruiting results and whether difficulties exist in filling correctional officer, specialty, and technical positions; (2) whether the Bureau's practice of filling its management positions through internal promotions and lateral transfers will enable it to successfully fill future management positions; and (3) whether the Bureau's training plans will enable the agency to meet future training needs.

Testimony

Drug Enforcement: Assistance to State and Local Law Enforcement Agencies in High Intensity Drug Trafficking Areas, by Lowell Dodge, Director of Administration of Justice Issues, before the House Select Committee on Narcotics Abuse and Control. GAO/T-GGD-92-37, May 6 (14 pages).

For fiscal years 1991 and 1992, Congress provided the Office of National Drug Control Policy with almost \$70 million to help state and local law enforcement agencies in five high-intensity drug trafficking areas. This testimony discusses (1) actions that the Office has taken to implement earlier GAO recommendations on the need to promote collaborative federal, state and local planning in the five high-intensity drug trafficking areas and the need to establish a system for assessing program performance; (2) whether federal funds are reaching state and local agencies faster this year than last year; (3) whether state and local agencies must match federal funds as a condition for participation; and (4) the Office's position on direct assistance to state and local law enforcement agencies.

Customs Service: Strong Leadership Needed to Address Management Problem, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-92-45, May 21 (16 pages).

The American public relies on the U.S. Customs Service to intercept foreign imports that might harm the health, safety, or economic well-being of the United States. The vast majority of cargo with violations is being allowed to pass into this country, however, and Customs lacks adequate information to assess its effectiveness in collecting applicable duties, penalizing violators of the trade laws, or managing its resources. These problems arise because of a series of interrelated problems with Customs management. While Customs has initiated a wide array of actions to address specific problem areas, GAO believes that several key actions are needed to achieve successful management reform. First, Customs should define a clear trade enforcement strategy that is supported by comprehensive human resources, financial management, and information management planning. Second, Customs should evaluate the adequacy of its current organizational structure to support the new trade enforcement strategy. Third, sustained leadership from the Commissioner and diligent congressional oversight are essential to ensuring long-term success.

National Defense, Security, and Military Procurement

Embedded Computer Systems: F-14D Aircraft Software Is Not Reliable

GAO/IMTEC-92-21, Apr. 2 (12 pages).

The Navy's \$6.1 billion upgrade of the F-14D "tomcat" fighter aircraft is plagued by serious software problems that have caused cockpit displays to go blank and erroneous data to be submitted to the mission computer. In addition, the Navy's approach to testing software development has been inadequate, increasing the risk that serious software defects may still be unidentified. While the Navy is correcting F-14D software problems, the Navy plans to develop and add the deferred software functions to the aircraft before these efforts are completed. This new software depends on the stability and reliability of the existing software. Proceeding with the deferred software development before ensuring that the existing software is reliable will complicate and make it more costly and time-consuming to detect and correct software problems.

Embedded Computer Systems: Significant Software Problems on C-17 Must Be Addressed

GAO/IMTEC-92-48, May 7 (45 pages).

Risky shortcuts by McDonnell Douglas Corp. and lax oversight by the Air Force have spawned such severe computer software problems in the C-17 cargo jet that it is a case study in how not to manage software development in a major weapons system. At an estimated cost of \$36 billion, the Air Force plans to buy 120 new C-17 aircraft, which are designed to airlift large payloads and oversized cargoes onto small airfields. The C-17 will be the most computerized, software-intensive, transport aircraft ever built. Program officials, having initially assumed that software was a low-risk endeavor, did not adequately assess or manage its software development. These officials later discovered that they often lacked specific knowledge about software problems when they first occurred, and did not ensure that McDonnell Douglas, the prime contractor, took timely corrective action. Actions by the Air Force and McDonnell Douglas in the wake of major software flareups in 1988 failed to keep software development and testing on schedule. As a result, the Air Force and McDonnell Douglas took several development shortcuts to meet flight test deadlines. In addition, other actions taken to reduce schedule delays may substantially boost software maintenance costs when the C-17 is eventually fielded. GAO summarized this report in testimony before Congress; see:

Embedded Computer Systems: C-17 Software Development Problems, by Samuel W. Bowlin, Director of Defense and Security Information Systems Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-IMTEC-92-17, May 13 (seven pages).

**Operation Desert Storm:
DoD Met Need for Chemical Suits and Masks, but Longer Term
Actions Needed**

GAO/NSIAD-92-116, Apr. 7 (24 pages).

Although U.S. armed forces in the Persian Gulf did not experience shortages of chemical protective suits, masks, or mask filters, the Defense Department (DoD) was not adequately prepared for chemical warfare. Reserve stocks of chemical equipment have been below authorized levels for years, and many troops were issued outdated suits and masks. Had the conflict lasted longer and chemical weapons been used, worldwide suit stockpiles could have been severely depleted, placing U.S. forces in other areas at greater risk. Chemical suit shortages and chemical mask fielding problems are long-standing. The Gulf war underscores the problems that

DOD has had in finding enough manufacturers able and willing to produce suits at a price DOD is willing to pay and in ensuring that the manufacturers of both suits and masks meet scheduled delivery dates. DOD has started to address these problems, but a more comprehensive approach is needed.

**Operations Desert Shield/Storm:
Update on Costs and Funding Requirements**

GAO/NSIAD-92-194, May 8 (12 pages).

Congress established the Defense Cooperation Account in fiscal year 1991 to receive contributions from foreign countries to help defray the costs of national defense efforts, such as Operations Desert Shield/Storm. This report discusses (1) the status of the account through fiscal year 1992, (2) the extent of future funding requirements, (3) the impact of operations related to and financed by revolving fund surpluses on the Defense Department's budget, and (4) the status of the Persian Gulf Regional Defense Fund.

**Operations Desert Shield/Storm:
Foreign Government and Individual Contributions to the
Department of Defense**

GAO/NSIAD-92-144, May 11 (28 pages).

As of September 30, 1991, the Defense Department (DOD) had accepted about \$48.7 billion in contributions from foreign governments and \$687,000 from private U.S. and foreign individuals. Foreign contributions consisted of cash and in-kind support, such as equipment and transportation, to defray Operations Desert Shield/Storm costs. Major contributors were Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea. Individual contributions consisted of cash donations to defray the costs of Desert Shield/Storm and for other DOD needs. As of April 10, 1992, foreign contributions had increased to \$53.7 billion, and individual contributions had increased to \$688,000. DOD credited all cash contributions to the account and administered these funds in accordance with applicable legislative and accounting requirements. DOD also established procedures for tracking, reporting, and valuing in-kind support. GAO found some reporting discrepancies, which DOD corrected. Because data from contributing countries were not always available, DOD estimated the value of some contributions, and, as a result, the estimated value may differ from the actual cost incurred by the contributor.

**Arms Control:
Improved Coordination of Arms Control Research Needed**

GAO/NSIAD-92-149, Apr. 14 (68 pages).

As the United States and the former Soviet Union reach agreement on several arms control treaties, the ability of the United States to develop new technologies to verify treaty compliance will be critical. This report examines (1) how the executive branch decides what research is needed to provide on-site inspectors with monitoring instruments; (2) if mechanisms exist to coordinate research and development being done by the Departments of Defense and Energy and other agencies on verification tools for existing and future treaties; and (3) how much it will cost to monitor various treaties. GAO concludes that stronger interagency coordination is needed. A major improvement to the current process would be the identification of national verification requirements and an interagency plan that prioritizes funding on the basis of established requirements.

**Electronic Warfare:
Faulty Test Equipment Impairs Readiness of Army Helicopters**

GAO/NSIAD-92-128, Apr. 17 (31 pages).

To protect its helicopters against enemy weapons, the Army equips them with electronic warfare systems, including radar warning receivers, missile warning systems, and jammers. While these systems are considered crucial to the survival of helicopters during combat, inadequate test equipment is impairing the Army's ability to conduct and sustain air combat with operable electronic warfare systems. Because it is often inaccurate in indicating the system's combat readiness and does not allow for the timely diagnosis and repair of system malfunctions, the test equipment could jeopardize pilots and aircraft. This situation is due to the Army's failure to demonstrate the adequacy of test equipment in realistic operational testing before producing and deploying the electronic warfare systems, as required by Defense Department and Army policies. These consequences could recur on new systems being acquired unless the Army changes its acquisition process.

Major Acquisitions:

DOD's Process Does Not Ensure Proper Weapons Mix for Close Support Mission

GAO/NSIAD-92-180, Apr. 17 (12 pages).

This report assesses the Defense Department's (DOD) close support major acquisition process. GAO looks at whether the (1) process identifies the proper mix of weapon systems needed to meet current and future mission requirements; (2) increased involvement of the Chairman of the Joint Chiefs of Staff has broadened DOD's analyses to include consideration of the expected contribution of all services' close support assets; and (3) the Army's planned procurements supporting its current doctrine and future war-fighting concept will overlap traditional areas of Air Force operations.

Naval Reserves:

The Frigate Trainer Program Should Be Canceled

GAO/NSIAD-92-114, Apr. 28 (12 pages).

To reduce the size of the fleet and to meet planned budget cuts, the Navy proposed in March 1990 the decommissioning of all 46 Knox class frigates, which are used to protect merchant ship convoys from submarines. Later that year, however, a Navy task force proposed the "Innovative Naval Reserve Concept," under which eight of the Knox class frigates would be used to train "nucleus crews" to run another 32 frigates that would be decommissioned but maintained at a slightly higher state of readiness; the remaining six frigates would be offered for sale or lease to foreign governments. When the reserve concept was proposed, it was viewed as a hedge against the possibility of a future global war. Given more recent world events, Defense officials acknowledge that no significant foreign powers or alliances now threaten the United States or its interests. GAO concludes that the Knox class frigate program should be canceled, saving an estimated \$1.4 billion during a 10-year period.

NATO Infrastructure Program:

As Threat Declines, NATO Reduces Expenditures

GAO/NSIAD-92-174, May 1 (39 pages).

Recent political, economic, and military changes in Europe have caused the North Atlantic Treaty Organization (NATO) to reassess potential

military threats and its future defense strategy. Congress has cut U.S. contributions to NATO for fiscal year 1991 from \$325 million to \$192.7 million, about 48 percent of the 1990 appropriations level. This report examines (1) NATO's efforts to reassess existing infrastructure program requirements, (2) the impact of reduced U.S. funding on NATO's infrastructure projects, and (3) the results of U.S. military commands' review of U.S. user infrastructure requirements.

**Military Airlift:
Selected Events in the Development of the C-17**

GAO/NSIAD-92-181FS, May 4 (15 pages).

This report provides information on the financing of the Air Force's C-17 aircraft, which is being developed by the McDonnell Douglas Corporation. GAO discusses (1) progress payments, (2) the change in accounting treatment of engineering costs, (3) the decision to split the government's contractual acceptance of the development test aircraft into two separate events, (4) reductions to the aircraft's performance specifications, and (5) the status of claims filed by McDonnell Douglas. GAO provides a chronology of the events from June 1990 through September 1991.

**Army Maintenance:
Savings Possible by Stopping Unnecessary Depot Repairs**

GAO/NSIAD-92-176, May 5 (10 pages).

GAO visited two Army depots and discovered unnecessary repairs, potentially resulting in needless costs. At Red River Army Depot, personnel have been repairing engines without doing a pre-shop analysis to determine exactly what is wrong, leading to complete engine overhauls when only minor repairs were needed. GAO estimates that the depot could save as much as \$1.1 million in fiscal year 1992 by establishing a pre-shop analysis program and limiting its repairs to those needed to return the engines to service. Similarly, Toole Army Depot is routinely overhauling items that were never intended to be overhauled, and no pre-shop analysis is being done.

**Air Force Procurement:
Current Plans May Provide More Ground-Attack Capability Than
Needed**

GAO/NSIAD-92-137, May 5 (10 pages).

Air Force regulations require re-evaluation of procurement plans when threats change. Since 1981, the Air Force has spent \$3.1 billion to equip and support aircraft capable of making ground attacks at night, and it plans to spend at least \$1 billion more. Despite declining budgets and the diminishing threat of Soviet and Warsaw Pact forces, the Air Force plans to acquire even more night capable equipment. Other questionable aspects of this planned procurement are (1) failing to consider total nighttime ground-attack assets; (2) equipping hundreds of aircraft that will have only eight years left on a 22-year useful life; and (3) buying certain equipment, even though less expensive alternatives would meet most of the Air Force's requirements. Finally, the Tactical Air Command's plans for F-16 nighttime training are subjectively, rather than objectively, based and do not reflect possible environmental restrictions.

**Strategic Missiles:
ACM Program, Opportunity for Additional Savings**

GAO/NSIAD-92-154, May 6 (nine pages).

Citing the dissolution of the Soviet Union and the reduced nuclear threat, the President announced in January 1992 an end to production of the Advanced Cruise Missile. The Defense Department plans to cap procurement at 640 missiles, including the purchase of 120 missiles authorized for fiscal year 1992. In GAO's view, however, the purchase of the additional 120 missiles may be unnecessary. While the Air Force plans to buy no more than 520 missiles, the Defense Department had not concurred with this decision as of April 1992. A major consideration by the Air Force in limiting procurement to 520 missiles was its need to find funding to cover prior-year missile contract funding shortfalls. The shortfalls, estimated at \$121.2 million, mainly arose from the suspension of deliveries while design and quality problems were being resolved. The Air Force, having determined that enough prior-year funds were not available to cover the shortfalls, partially terminated the contract for fiscal year 1987 and 1988 missiles. The Air Force immediately awarded a new letter contract to continue the work that was being done under the partially terminated contract and used funds appropriated for fiscal year 1992. GAO

is concerned about the potential for cost increases, as well as the legal and programmatic issues that may arise from these actions. GAO plans to continue to review these matters.

**Contract Pricing:
Issues Related to the Defense Contract Audit Agency**

GAO/NSIAD-92-188, May 6 (12 pages).

Despite laws and regulations designed to protect the government from contract overpricing, Defense Contract Audit Agency (DCAA) reports issued in fiscal years 1987-90 identified \$3 billion in defective pricing. Even though DCAA audits report substantial defective pricing, many contracts and subcontracts, especially those involving lower dollar values, are never audited. In addition, subcontract proposals are overstated by millions of dollars partly because prime contractors often fail to adequately evaluate subcontractor proposals before contract negotiations, as required by the Federal Acquisition Regulation. Prime contractors then negotiate lower subcontract prices after contracting with the government. DCAA reports identifying contractor cost-estimating systems deficiencies are not always clear about the need to correct these deficiencies. Further, many DCAA reports do not recommend disapproval of contractors' estimating systems when DCAA finds them to contain major deficiencies. DCAA's use of operational audits, which have proven useful in identifying inefficient contractor operations, has decreased. GAO summarized this report in testimony before Congress; see:

Contract Pricing: Recurring Issues and the Role of the Defense Contract Audit Agency, by Paul F. Math, Director of Research, Development, Acquisition, and Procurement Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-92-34, May 6 (20 pages).

**Defense Inventory:
Cost Factors Used to Manage Secondary Items**

GAO/NSIAD-92-112, May 14 (27 pages).

This report examines the cost considerations underlying the Defense Department's (DOD) inventory decisions for secondary items. Through the economic order quantity formula, the cost of ordering and holding secondary items influences the size of individual orders for items with

frequent or high demand. The purchase of infrequently used items is based on military need rather than optimum order quantities. In the past, DOD retained secondary item inventory, regardless of its quantity, that pertained to active weapon systems. Recently, DOD revised its policies to encourage disposal of more excess items. As a result, disposals have been increasing. Excess property is sold for a fraction of its value. In fiscal year 1990, DOD sold excess property valued at \$9.1 billion for \$138.5 million.

**Defense Inventory:
DOD Actions Needed to Ensure Benefits From Supply Depot
Consolidation Efforts**

GAO/NSIAD-92-136, May 29 (24 pages).

The Defense Logistics Agency estimated in July 1991 that consolidating the 30 military supply depots in the United States under a single manager would save \$1.2 billion during fiscal years 1991-97. In March 1990, it projected that consolidating the five San Francisco Bay area depots as a prototype would save about \$128 million during fiscal years 1991-95. This report explores (1) the validity of the Defense Department's (DOD) estimated cost savings for the prototype consolidation and for all depots, (2) the validity of actual cost savings at the prototype depots, (3) the impact of consolidation on the depots' performance, and (4) whether impediments exist that could prevent DOD from achieving its projected benefits.

**Navy Maintenance:
Public/Private Competition for F-14 Aircraft Maintenance**

GAO/NSIAD-92-143, May 20 (45 pages).

One of the more significant developments in the Navy's \$2 billion aviation depot maintenance program has been to allow the Navy and private contractors to directly compete for work. Overhaul of the F-14 airframe was the first major maintenance work completed under the public/private competition program. GAO found that the program provided an incentive for the Navy depots to streamline production processes and minimize costs, which has helped reduce the Navy's F-14 overhaul costs. Average overhaul repair costs, adjusted for inflation, have declined about 23 percent since fiscal year 1987. More effective administration of the F-14 competition program would have yielded even more savings. Cost overruns, which may top \$6.9 million, were mainly due to (1) inconsistent

contract administration guidance, (2) a lack of top management attention to resolve problems, (3) contract disputes, (4) problems in the depots' cost accounting system, and (5) depot inefficiency. F-14 overhauls not under the competition program cost about 21 percent more than competition overhauls in fiscal year 1990. The cost difference was caused primarily by differences in the management and oversight applied to each overhaul program.

Testimony

Army Force Structure: Plans to Restructure and Reduce Medical Corps, by Richard Davis, Director of Army Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-NSIAD-92-37, May 1 (eight pages).

The Army plans to cut about 30,000 positions from its medical forces by the end of 1995. Army officials have concluded that the medical force should be less dependent on reserve forces, particularly in its contingency force, which must be deployed quickly. As a result, most reductions will center on units in the medical reserve components. The Army is trying to retain critical medical specialists by dispersing the components of its hospital units throughout the United States and by adding specialists from units scheduled to be eliminated to its Individual Mobilization Augmentation Program. However, with the deactivation of its medical units, the Army has no assurance that it will be able to retain personnel with critical medical skills, and it has no plan describing how it will keep them. In addition, it is unclear how the Army expects to achieve unit cohesion and training for the reserve units under its planned decentralized hospital system. Further, while the Army Reserve and National Guard have coordinated their plans to avoid competing for the same resources, GAO believes that including an assessment by the Defense Department would provide an opportunity to coordinate plans among the military services.

Operation Desert Storm: Army Guard Combat Brigade War Lessons Reflect Long-Standing Problems, by Richard Davis, Director of Army Issues, before the Defense Policy Panel, House Committee on Armed Services. GAO/T-NSIAD-92-36, May 5 (12 pages).

If the Army is to confidently rely on its National Guard combat forces in future conflicts, it must work to correct the fundamental problems that have hampered these reserves since long before the Persian Gulf war. During post-mobilization training, the Army discovered major deficiencies in the abilities of National Guard brigade units, which remained in a

training status until the war was over. GAO testified that peacetime training did not adequately prepare the brigades for their wartime roles, the Army's readiness information greatly underestimated the amount of post-mobilization training needed to ready the brigades for deployment, and adverse impacts resulted from the incompatibility of the National Guard's peacetime systems with those of the active Army.

Military Airlift: C-17 Flap Requires Additional Testing, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-92-38, May 13 (six pages).

The C-17 military transport plane is being developed by McDonnell Douglas Corp. to carry military cargo into small, austere airfields. One of the key technologies being used on the C-17 is powered lift, which uses wing flaps to increase the aircraft's lift. GAO looked at whether the flap designed for the C-17 could withstand damage from heat and acoustic stress (vibrations caused by sound). Tests in February 1991 predicted that the flap would have to withstand temperatures in the 300-degree Fahrenheit range or twice the temperature for which the flap was designed. In actual flight tests, however, the temperature on the extended flap exceeded 400 degrees Fahrenheit. As a result, McDonnell Douglas is adding titanium and additional composite materials to the inboard flaps. Acoustic vibration tests in June 1990 on a five-foot section of the wing box produced internal cracking after five minutes of acoustic exposure, suggesting that the flap needed strengthening. A later test showed that cracks occurred after one hour of exposure to acoustic vibrations, and McDonnell Douglas has concluded that the flap's life expectancy would be only 400 hours. Temperature, which could also affect flap durability, was not considered. Although McDonnell Douglas has strengthened the flap further, it has not retested to demonstrate the life expectancy of the strengthened flap. An independent Air Force review team concluded that the initial structural design of the flap was unacceptable because the flap could not withstand the acoustic and temperature stresses expected for the required life of the aircraft. Because of these uncertainties, GAO believes that test plans should be established to determine whether the flap meets the contract service life requirement before the C-17 enters full-rate production.

National Defense Stockpile: Views on DOD's 1992 Report to the Congress and Proposed Legislation, by Donna M. Heivilin, Director of Logistics

Issues, before the Subcommittee on Defense Industry and Technology, Senate Committee on Armed Services. GAO/T-NSIAD-92-17, May 21 (27 pages).

While the Defense Department (DOD) has tried to improve its methodology for estimating stockpile requirements, the process is limited in providing specific estimates of stockpile requirements. GAO is most concerned about the representation of uncertainty associated with goal estimates and the use of outdated data in the models. Although these shortcomings cast doubt on the specifics of DOD's proposed requirements goals, changes in the U.S. security threats, reductions in force structure, and increasing warning times indicate that cautious disposal of some material is prudent. At the same time, these factors also tend to support a temporary curtailment of uncommitted purchases until better estimates of requirements are developed. After reviewing different proposals, GAO believes that DOD can proceed with most proposed disposals until a new stockpile study is produced that incorporates updated material consumption ratios and more thorough sensitivity analyses. GAO sees no need to retain such obsolete materials as asbestos, vegetable tannins, and thorium nitrate or materials that are of an inferior grade by today's standards. GAO also suggests that DOD dispose of materials like cobalt, ferroalloys, chromium, and manganese ores after consulting with experts in other federal agencies and with producers and users.

Military Satellite Communications: Potential for Greater Use of Commercial Satellite Capabilities, by Louis J. Rodrigues, Director of Command, Control, Communications, and Intelligence Issues, before the Subcommittee on Defense, House Committee on Appropriations. GAO/T-NSIAD-92-39, May 22 (11 pages).

GAO testified on the potential for greater use of commercial satellites to satisfy Defense Department (DOD) general-purpose communications needs. DOD expects its requirements for general-purpose satellite communications to increase substantially during the next several years and to exceed the existing and planned capacity of military communication satellite systems. In the past, DOD has leased individual circuits on commercial communication satellites, but this is a costly approach. One alternative DOD is considering involves creating private networks by acquiring and managing commercial communication satellite assets. Other alternatives also need to be analyzed, and DOD intends to hire several contractors to assist in the analyses during the next several months. Until this is done and GAO's review is completed, GAO would caution against DOD making any

long-term commitments toward satisfying the expected increased requirements in general-purpose satellite communications.

Natural Resources

Rangeland Management: Assessment of Nevada Consulting Firm's Critique of Three GAO Reports

GAO/RCED-92-178R, May 4 (58 pages).

Rangeland Management: Contracts and Documents Reviewed

GAO/RCED-92-183R, May 4 (44 pages).

GAO reviewed a January 1992 report by a Nevada consulting firm that critiqued three GAO reports on management of the western public rangeland by the Bureau of Land Management and the Forest Service. Subjects addressed included declining and overstocked grazing allotments, riparian area restoration, and the federal wild horse program. GAO carefully examined both the consulting firm's analysis of GAO's reports as well as GAO's adherence to its own standards, policies, and procedures. GAO is confident that its work was done with due professional care consistent with generally accepted government auditing standards and that its findings are well supported, its conclusions flow logically from the facts, and its recommendations offer reasonable suggestions for addressing the problems identified. The first report provides GAO's point-by-point responses to the charges made in the consulting firm's report, while the second provides the titles of the documents GAO reviewed and the names of individuals GAO contacted in preparing its reports. GAO summarized these reports, along with two other recent reports on rangeland management (GAO/RCED-92-52, Feb. 24, 1992, and GAO/RCED-92-12, Nov. 26, 1991) in testimony before Congress; see:

Rangeland Management: Results of Recent Work Addressing the Performance of Land Management Agencies, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/RCED-92-60, May 12 (10 pages).

Testimony

National Park Service: Policies and Practices for Determining Concessioners' Building Use Fees, by Keith O. Fultz, Director of Planning and Reporting in the Resources, Community, and Economic Development Division, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-92-66, May 21 (12 pages).

While national park concessioners using federally owned facilities—including lodges, restaurants, and horse corrals—report gross revenues of up to tens of millions of dollars, many only pay a pittance for use of these properties. Poor management by the National Park Service and lack of data, however, make it impossible to determine whether the government is getting a fair return on the use of its facilities. A lack of policy guidance has led to inconsistent determinations of building use fees. Furthermore, a lack of complete and centralized data has left the Park Service in a quandary as to how many concession agreements contain the assignment of federally owned facilities; how many federally owned facilities are used by concessioners; and what other agreements have been reached on the repair, maintenance, and improvement of these facilities. As a result of this lack of data, the total compensation for the use of federally owned facilities is unknown.

Science, Space, and Technology

NASA Procurement: Agencywide Action Needed to Improve Management of Contract Modifications

GAO/NSIAD-92-87, Mar. 2 (23 pages).

GAO reviewed 65 cost and schedule modifications of contracts at NASA's four largest procurement centers and found that NASA caused most of them by changing contract terms, specifications, or scope. Contractor performance and unforeseen circumstances beyond the control of NASA or the contractor caused the other modifications. NASA had significant problems in administering some of these contractor modifications. Problems included (1) new work noncompetitively added to contracts without justifying sole-source procurement, (2) negotiations of contract changes not completed in a timely fashion, (3) unauthorized personnel directing contractors to do additional work, and (4) proposed contract changes not adequately evaluated. During the last several years, NASA's procurement management surveys have identified some of these same problems, and NASA has made changes on the basis of survey results,

including improving and expanding training. In addition, although NASA recently started to enhance procurement management surveys, these surveys could be further improved by adjusting their focus, scope, and frequency.

**NASA Procurement:
Improving the Management of Delegated Contract Functions**

GAO/NSIAD-92-75, Mar. 27 (24 pages).

During fiscal years 1989-91, NASA spent more than \$10 billion annually on work done by contractors, much of which was supervised by other government agencies—primarily the Defense Department (DOD). GAO found widespread and significant deficiencies in NASA's management of delegated contracts. For example, planning conferences between NASA and DOD were not held as required. In addition, delegation letters from NASA to DOD were often either late or unclear about the functions being delegated. NASA did not obtain most acceptance letters in a timely manner, and some were not obtained at all. Some NASA contracting officers were unaware that their contracts had been delegated to DOD or did not know why functions had been delegated. Further, NASA could not verify the amounts or services that DOD was billing for. While NASA has changed its regulations and procedures to resolve these deficiencies, GAO believes that additional steps are needed to ensure that these problems are adequately corrected.

**Space Station:
Contract Oversight and Performance Provisions for Major Work Packages**

GAO/NSIAD-92-171BR, Apr. 14 (nine pages).

This report examines NASA's management of three work package contracts for Space Station Freedom. GAO reviews how the NASA centers managing each of the contracts responded to Federal Acquisition Regulation requirements for post-award contract administration and quality assurance planning conferences and for quality assurance plan development, review, and approval. GAO also identifies the award fee provisions of these contracts, the amounts of fees awarded, and contract provisions involving the performance of contractors' products.

**Shuttle Rocket Motor Program:
NASA Should Delay Awarding Some Construction Contracts**

GAO/NSIAD-92-201, Apr. 27 (eight pages).

Even though the President has proposed terminating the Advanced Solid Rocket Motor program, NASA is proceeding with all construction planned for fiscal year 1992 to avoid schedule slippages if Congress reinstates the program. GAO believes that NASA could delay some construction for at least a few months without affecting the launch data schedule. Starting all construction activities as originally planned could result in unnecessary additional costs and termination liability if the funding for fiscal year 1993 is not provided. If Congress decides to continue the program, construction could still be completed in time to avoid schedule slippages.

**Earth Observing System:
Broader Involvement of the EOSDIS Community Is Needed**

GAO/IMTEC-92-40, May 11 (20 pages).

NASA has begun a program to collect comprehensive data on the earth's atmosphere, oceans, and land masses over 15 years. This information will be archived and distributed by the Earth Observing System Data and Information System (EOSDIS). NASA has not done enough to ensure that input from all anticipated EOSDIS users is incorporated into the system's design. The main users of EOSDIS will likely be thousands of scientists who have no affiliation with the program. Yet NASA's system planning has relied largely on input from a relatively small number of researchers funded directly by NASA. NASA's methods for obtaining user input in the future provide little assurance that all segments of the user community will be adequately represented. Because of the uncertainty regarding the total number of ultimate EOSDIS users and the system work loads they will generate, a system development strategy is needed that can adapt to changing user needs.

Testimony

NASA Procurement: Opportunities to Improve Contract Management, by Mark E. Gebicke, Director of NASA Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-NSIAD-92-33, May 7 (seven pages).

NASA has typically spent about 90 percent of its funds procuring goods and services. During fiscal years 1989 through 1991, NASA paid contractors more than \$10 billion annually. In GAO's view, NASA's lack of adequate management controls for its procurement activities puts this program at high risk for waste, fraud, and abuse. This testimony focuses on ways to improve NASA's administration of contracts after they are awarded. GAO discusses how NASA can strengthen management controls over and oversight of contract cost increases and time extensions, contract modifications, and contract administration by other government organizations.

Social Services

Early Intervention: Federal Investments Like WIC Can Produce Savings

GAO/HRD-92-18, Apr. 7 (110 pages).

Early intervention programs for children and their families can help prevent costly problems, such as low birth weights or deaths from vaccine-preventable diseases, and reduce the need for later, publicly financed care. Unless the value of such care is quantified, however, legislators have a hard time factoring its value into their budgetary decisions. Using a framework it developed to analyze the costs and benefits of early intervention, GAO concludes that providing pregnant women with benefits under the Special Supplemental Food Program for Women, Infants, and Children (WIC) more than pays for itself within a year. GAO estimates that over an 18-year period, WIC benefits could help avoid more than \$1 billion in federal, state, local, and private payer expenditures. On a related matter, GAO discovered that the formula used to distribute WIC funds to the states does not adequately consider the number of eligible persons in the states. As a result, some states cannot enroll all pregnant women, while others enroll infants and children considered less in need of services.

The Older Americans Act: Access to and Utilization of the Ombudsman Program

GAO/PEMD-92-21, May 6 (23 pages).

To make its June 1991 testimony on the long-term care ombudsman program more widely available, GAO has published its remarks as a blue cover report. In that testimony, GAO discussed (1) program objectives; (2)

the program's impact and data being collected to measure that impact; (3) how well the program was being utilized by residents of nursing homes and board and care facilities; and (4) what difficulties ombudsmen experienced in gaining access to nursing home and board and care residents. GAO recommends that the Administration on Aging modify the annual data collection instrument to require the collection of information on the total number of complaints received by type of facility and the total number of residents. Because ombudsmen have encountered legal barriers in gaining access to facilities and residents' medical and social files, Congress may wish to pass legislation explicitly granting ombudsmen access to facility administrative records.

Tax Policy and Administration

Pharmaceutical Industry: Tax Benefits of Operating in Puerto Rico

GAO/GGD-92-72BR, May 4 (37 pages).

As a result of tax breaks given to U.S. companies operating in Puerto Rico, the Department of the Treasury will lose an estimated \$15 billion in tax revenues between 1993 and 1997. Throughout the 1980s, the pharmaceutical industry received a large share of such tax benefits relative to the number of jobs they created and the amount of employee compensation they provided. Industry representatives argue that other employment-related information, such as the number of jobs created in companies servicing pharmaceutical corporations, needs to be considered in evaluating the benefits provided under the Internal Revenue Code. GAO found that individual drug companies differed markedly from each other in the taxes that they saved by operating in Puerto Rico and that 17 of the 21 most prescribed drugs in the United States in 1990 were authorized for manufacture in Puerto Rico.

Internal Revenue Service: Opportunities to Reduce Taxpayer Burden Through Return-Free Filing

GAO/GGD-92-88BR, May 8 (38 pages).

Under a return-free filing system, IRS would prepare tax returns using information received from third parties, thereby freeing millions of taxpayers from having to prepare and file their own returns. IRS studied this system and concluded that timing and cost considerations made it

infeasible. While this system could be redesigned to incorporate new technologies that would overcome these objections, taxpayer resistance and the cost-effectiveness of other filing alternatives could make this an unattractive business proposition. IRS is using available technology to provide various filing alternatives that have significant benefits, such as faster refunds and more accurate filings. However, taxpayers must still prepare and submit paper documents to IRS, which in turn mails out refunds and bills. Many foreign countries use a version of return-free filing known as final withholding. Under this system, an employee's withholding becomes the tax, eliminating the need for many taxpayers to file returns. Final withholding could significantly reduce the number of individual returns in the United States; however, this system shifts some burden to employers and taxing authorities.

**Tax Policy and Administration:
1991 Annual Report on GAO's Tax-Related Work**

GAO/GGD-92-57, May 21 (148 pages).

This report summarizes GAO's work on tax policy and administration issues during fiscal year 1991. It discusses actions taken on GAO's recommendations as of the end of 1991, recommendations that GAO made to Congress before fiscal year 1991 that remain open, and assignments for which GAO was given access to tax information under the law. GAO's key recommendations for tax policy and administration relate to the need for improving compliance, increasing accounts receivable collections, simplifying the tax system, improving the Tax Systems Modernization Program, strengthening management practices, and enhancing the effectiveness of tax incentives.

**Tax Administration:
IRS' Executives' Views on the Business Review Process**

GAO/GGD-92-103FS, May 29 (17 pages).

GAO surveyed senior IRS executives on the annual business review, which assesses how well field offices achieved the goals set out in IRS' Strategic Business Plan, and how it might be improved. On the positive side, the executives noted the commitment of IRS top management to the business review process, and many specifically cited the former Commissioner's personal involvement in the process. The executives also said that the process has (1) improved communications between senior IRS executives

and the Commissioner and (2) helped to focus attention on IRS' most important activities. As for needed improvements, IRS executives said that new or revised performance measures were needed, business reviews could be better focused, business review reports could be revised to better indicate what the review results mean, and paperwork could be reduced.

Testimony

Tax Administration: Opportunities to Reduce the Burden of Filing and Processing Tax Returns, by Hazel E. Edwards, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-92-41, May 13 (12 pages).

The Internal Revenue Service (IRS) is in the midst of a multi-billion dollar modernization of its tax administration systems. Changes in how IRS does business are essential if the agency is to fully realize the important benefits of modernization—namely, better service to taxpayers and lower costs to run the tax system. In GAO's view, one good candidate for change is the tax return, which is burdensome to taxpayers to prepare and file and costly to the government to process. Although IRS has come up with several filing alternatives, such as electronic filing, GAO believes that the tax filing burden will be reduced only if a way can be found to relieve many taxpayers of the need to file at all. Modernization presents IRS with opportunities to reduce its own burden as well as that of taxpayers through a combination of technology and revised business tactics. But many of the potential benefits of modernization will go unrealized unless IRS revamps its fundamental business approach.

Transportation

Highway Safety: Safety Belt Use Laws Save Lives and Reduce Costs to Society

GAO/RCED-92-106, May 15 (61 pages).

GAO reviewed 44 published and unpublished studies on safety belts and related laws and assembled a review panel to help evaluate studies and formulate conclusions. The studies showed that safety belt use generally reduced both the fatality rate and the serious injury rate by 50 to 75 percent in motor vehicle crashes. In addition, states with safety belt laws cut fatalities and serious injuries by five to 20 percent compared to states with no laws. Existing state safety belt laws could be strengthened to (1) include coverage to rear seat occupants, (2) extend coverage to light

trucks and vans, and (3) facilitate enforcement. One recent study pegged the total annual costs of traffic crashes to society at \$334 billion. Most studies that addressed hospital costs reported that belted victims averaged 60 to 80 percent lower hospital costs than did unbelted victims. Studies found that unbelted occupants hurt in crashes paid less than one-half of their hospital expenses, with most costs being paid through insurance premiums or Medicare and Medicaid.

Coast Guard:

Coastal Buoy Tender Acquisition Project Did Not Follow Federal Guidelines

GAO/RCED-92-156, May 20 (20 pages).

The Coast Guard plans to spend \$25 million in fiscal year 1993 and a total of more than \$200 million during the next five years to replace its fleet of 11 coastal buoy tenders, vessels mainly used to service short-range aids to navigation, such as buoys and lights, in coastal waters. This report examines whether the Coast Guard's acquisition program for the buoy replacements has been justified and conducted according to federal, Department of Transportation, and Coast Guard regulations governing major system acquisitions.

Testimony

FAA Budget: Key Issues Need to Be Addressed, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-92-67, May 21 (26 pages).

The Federal Aviation Administration (FAA) has made great strides during the last decade in improving the nation's air traffic control system and ensuring safety. GAO testified that future progress will depend on FAA's addressing concerns about the adequacy of staffing levels, targeting of resources, modernization cost increases and delays, and uncertainties about consolidation and satellites. GAO believes that FAA needs to improve its planning in such areas as modernization of the air traffic control system, airport development, and research and development. Good planning involves a reasonable vision of the future and the ability to break that vision down into measurable increments or goals. GAO believes that through its planning FAA needs to commit itself to appropriate goals that will help guide funding decisions and act as benchmarks for measuring progress.



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