
November 1994

Reports and Testimony: October 1994

Highlights

Handheld Missile Security

Among other discrepancies, 40 deadly Stinger missiles shipped to the Middle East during the Persian Gulf War could not be accounted for when GAO visited storage sites to check the inventory of handheld missiles—the Stinger, the Redeye, and the Dragon. In all, inventory records differed from GAO’s physical count by thousands of missiles. Page 22.

Postal Labor-Management Relations

Poor labor-management relations at U.S. Postal Service facilities are long-standing and have multiple causes that are related to an autocratic management style, adversarial employee and union attitudes, and inappropriate and inadequate performance management systems. Page 13.

Soviet-Designed Nuclear Reactors

Fifty-eight Soviet-designed civilian nuclear power reactors are still operating, including 15 of the type that exploded at Chernobyl. Despite an internationally funded effort to close the reactors down or improve their safety, the West faces formidable challenges in securing closure because countries operating the reactors depend on the power they generate. Page 4.

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Reports and Testimony: October 1994

Agriculture and Food

Debt Settlements: FmHA Can Do More to Collect on Loans and Avoid Losses

GAO/RCED-95-11, Oct. 18 (23 pages).

The Farmers Home Administration (FmHA) wrote off nearly \$3 billion in farm debt between 1991 and 1993, even though the borrowers may have had assets that could have been applied to bad loans. Meanwhile, borrowers who benefitted from such debt relief continued to obtain new loans. FmHA's field offices did not always follow the agency's own debt collection procedures, which are intended to mitigate the federal government's losses. For example, FmHA's internal reviews show that field officials often did not develop a complete inventory of borrower's financial assets. Furthermore, even when FmHA had a complete inventory of borrowers' financial resources, it did not always use them to offset losses. In fiscal years 1991-93, FmHA approved new loans totaling \$13 million to 86 borrowers who, through debt settlements, had received \$20 million in debt relief.

Budget and Spending

Budget Process: Issues Concerning the 1990 Reconciliation Act

GAO/AIMD-95-3, Oct. 7 (45 pages).

When the Omnibus Budget Reconciliation Act of 1990 was passed, overall savings from the multiyear deficit reduction agreement were pegged at about \$500 billion. However, the deficit has not dropped to expected levels. For example, the Congressional Budget Office (CBO) projections in late 1990 showed that the fiscal year 1993 deficit would be \$170 billion, but the actual deficit was \$255 billion. This report focuses on issues surrounding one component of the deficit reduction agreement—\$98.8 billion in mandatory spending program reductions and increases in user fee collections. GAO (1) examines the reasons for the shortfall between deficits projected at the time of the act and actual deficits experienced since then, (2) ascertains whether the actual results of the act's 38 individual provisions that GAO examined were achieved, and (3) describes CBO and agency roles and responsibilities in the act's reconciliation process as they affected the act's contribution to deficit reduction.

Business, Industry, and Consumers

Insurance Ratings: Comparison of Private Agency Ratings for Life/Health Insurers

GAO/GGD-94-204BR, Sept. 29 (32 pages).

Private rating agencies can play an important role in providing consumers with information about insurers' financial health. Concerns have arisen, however, about the usefulness of these ratings to consumers. This report (1) compares the rating systems of the five major raters of life/health insurers—A.M. Best, Duff & Phelps, Moody's, Standard and Poor's, and Weiss Research—over the period August 1989 to June 1992 and (2) determines which raters were first to report the vulnerability of financially impaired or insolvent insurers.

Education

Precollege Math and Science Education: Department of Energy's Precollege Program Managed Inefficiently

GAO/HEHS-94-208, Sept. 13 (26 pages).

Public policymakers and U.S. industrial leaders have expressed grave concern about precollege students in other industrialized countries significantly outperforming American students on recent international mathematics and science tests. In recognition of the Energy Department's (DOE) world-class scientists and engineers as well as its state-of-the-art research facilities, Congress made mathematics and science education a major mission for DOE in fiscal year 1991. DOE's precollege mathematics and science budget has grown about 1,250 percent—reaching \$27 million in fiscal year 1993. In the early 1990s, DOE did not effectively manage this program. First, DOE jeopardized the program's success by not using a risk management strategy to run program projects. Second, DOE forfeited an invaluable management tool by taking a lax approach to program evaluation. Third, DOE greatly reduced its chances of helping achieve National Education Goal 5—"By the year 2000, U.S. students will be first in the world in mathematics and science achievement"—by launching a variety of projects that did not clearly seek to improve student achievement. DOE has announced steps to substantially improve the program's management and evaluation functions; however, the depth of executive support for these measures and their subsequent staying power are uncertain.

**Education Finance:
Extent of Federal Funding in State Education Agencies**

GAO/HEHS-95-3, Oct. 14 (117 pages).

In fiscal year 1993, although the federal government provided only about seven percent of elementary and secondary school funding, states relied on federal support for about 41 percent of the funding and 41 percent of the staff for their state education agencies. This may give the impression that the federal government was providing more than what might be considered its fair share of state education agency operating funds. However, comparisons among state education agencies solely on the basis of their total federal share of funding and staff can be misleading. The ratio of federal-to-state support at each state education agency depends on the individual combination of federal and state programs run by that particular agency. Although 10 federal programs are common to nearly all state education agencies, no two states have the same mix of federal and state programs. Some state education agencies keep funding to operate large programs, which can greatly increase the federal or state share of funding and staff. Despite the variety in the mix of programs and federal funds kept, the state education agency officials GAO interviewed gave similar descriptions of the way that they use federal money and many said that federal programs had more administrative and regulatory requirements than did state programs.

Energy

**Nuclear Safety:
International Assistance Efforts to Make Soviet-Designed
Reactors Safer**

GAO/RCED-94-234, Sept. 29 (43 pages).

The United States and other nations have serious concerns about the safety of 58 Soviet-designed nuclear power reactors in Russia and eastern Europe. These reactors do not meet international nuclear safety standards. Twenty-five of these reactors, because they are of the oldest design, pose the greatest safety risk; fifteen of these reactors are the type that exploded at Chernobyl in 1986. In July 1992, the Group of Seven—the major industrialized nations—announced a multimillion-dollar plan to improve the safety of these nuclear power reactors. This report describes (1) the goals and the scope of the international assistance, (2) the United States'

planned and ongoing assistance efforts, (3) the impact of the assistance provided, and (4) the potential for closing the highest-risk reactors.

**Energy Management:
Modest Reforms Made in University of California Contracts, but
Fees Are Substantially Higher**

GAO/RCED-94-202, Aug. 25 (52 pages).

The Energy Department (DOE) provides the University of California about \$2.5 billion a year for research and development activities at the Los Alamos, Lawrence Livermore, and Lawrence Berkeley Laboratories. In the past, these contracts contained many special, nonstandard clauses that reduced or eliminated DOE's authority to direct the University's actions and contributed to management problems that led to losses of millions of dollars' worth of government property, excessive subcontracting costs, and the loss of classified documents. In 1992, DOE and the University of California negotiated new five-year contracts. This report discusses (1) DOE's efforts to add standard clauses typical of DOE's other contracts and eliminate requirements that weakened DOE's authority, (2) the compensation that DOE negotiated for the current contracts, and (3) proposed changes in contracting policy announced by DOE in February 1994 that may apply to these contracts with the University.

**DOE Management:
Contract Provisions Do Not Protect DOE From Unnecessary
Pension Costs**

GAO/RCED-94-201, Aug. 26 (32 pages).

The Energy Department (DOE) funds the employer retirement contribution for about 18,300 University of California employees who work at DOE's three laboratories. Before October 1992 revisions, no limits were placed on the amount of DOE's pension fund contributions and the university was not required to obtain DOE approval of changes to pension benefits. Although the University of California retirement plan reached full funding in 1986, the university regents continued to require employer contributions until November 1990. This report examines (1) whether DOE can recover unneeded pension fund payments and (2) whether the provisions in the revised contracts will allow DOE to control its future pension costs and prevent unneeded payments. GAO recommends renegotiating several

contract provisions to minimize future payments and better protect the government's interest.

**Nuclear Cleanup:
Completion of Standards and Effectiveness of Land Use Planning
Are Uncertain**

GAO/RCED-94-144, Aug. 26 (29 pages).

During 50 years of nuclear weapons production, the Energy Department (DOE) and its predecessor agencies have generated huge amounts of radioactive wastes that have contaminated soil and groundwater. As a result, DOE faces a massive, complex, and costly cleanup effort. During the next several years, DOE and the Environmental Protection Agency (EPA) will decide on methods to be used for environmental cleanup at DOE sites. Standards for "how clean is clean enough" and information about future land uses of DOE sites would help in selecting appropriate remedial actions. Past efforts to develop cleanup standards for radioactive substances have been unsuccessful. This report determines (1) how cleanup levels are now determined for DOE sites, (2) the status and the likelihood of success of EPA's efforts to develop cleanup standards for radioactive substances, (3) the status of DOE's land use planning efforts, and (4) what hurdles would need to be overcome if land use planning were to be used effectively in determining cleanup levels.

**Nuclear Health and Safety:
Consensus on Acceptable Radiation Risk to the Public Is Lacking**

GAO/RCED-94-190, Sept. 19 (32 pages).

Differences exist in the limits on human exposure to radiation set by federal agencies, such as the Nuclear Regulatory Commission and the Environmental Protection Agency. These differences raise questions about the precision, credibility, and overall effectiveness of federal radiation standards and guidelines in protecting public health. Taken together, the radiation standards that have been developed reflect a lack of overall interagency agreement on how much radiation risk to the public is acceptable. GAO found at least 26 different draft or finalized federal radiation standards or guidelines. Agencies also do not agree on how to calculate radiation protection standards.

**Energy Supply:
Energy Potential of Municipal Solid Waste Is Limited**

GAO/RCED-94-200, Sept. 20 (28 pages).

More than 195 million tons of municipal solid waste—basically household and commercial garbage—were generated in the United States in 1990. Yet only a small portion of solid waste is now used for energy production, mainly through the use of (1) electricity-generating facilities that burn municipal waste as a fuel and (2) engines fueled by waste gases from landfills. GAO concludes that energy recovery from municipal solid waste holds limited potential to contribute to the nation's overall energy production, not only because of the volume and energy content of the waste itself, but also because of factors affecting the use of waste disposal, including public opposition and the availability of financing. This report also discusses (1) the environmental impact of producing energy from waste, (2) the Energy Department's research and development efforts to use waste as a viable energy source, and (3) the potential energy savings from and environmental impact of recycling waste material.

**Environmental
Protection**

**Superfund:
Status, Cost, and Timeliness of Hazardous Waste Site Cleanups**

GAO/RCED-94-256, Sept. 21 (43 pages).

In fiscal years 1987-93, 60 percent of the \$10 billion earmarked for the Superfund program went to contractors for site cleanups. The largest portion of cleanup spending went toward remedial or long-term cleanup efforts, including site studies, remedial designs, and construction of the cleanup remedy. During this period, spending on the construction phase overtook spending for site studies. Forty percent of the funds obligated for construction went to 13 sites—just seven percent of the sites receiving such funding during the period. Although cleanup work has been fully completed for only 52 sites, about half of the 1,320 Superfund sites have moved beyond the initial study phase and into the design and construction phases of the cleanup. Nevertheless, 150 of the sites that have been in the Superfund program for at least eight years have not progressed beyond the initial study phase; at nine of these sites, the study phase has not yet begun. GAO's analysis of Environmental Protection Agency (EPA) data shows little time difference in the cleanup work financed by EPA and that financed by parties responsible for the contamination. Attorneys at the

Justice Department and EPA believe that the limits on the timing of judicial review of EPA's cleanup decisions have been effective in discouraging or quickly eliminating legal challenges that might otherwise have delayed cleanups.

**Superfund:
EPA Has Opportunities to Increase Recoveries of Costs**

GAO/RCED-94-196, Sept. 28 (21 pages).

The Environmental Protection Agency's (EPA) efforts to force responsible parties to clean up hazardous waste sites have been successful. In fiscal year 1993, EPA entered into settlements with responsible parties for cleanups valued at \$910 million. However, the agency's attempts to recover costs from responsible parties when it has already cleaned up a site have not been as productive. EPA has reached agreements with responsible parties to recover only \$1.2 billion of the \$8.7 billion it spent on the Superfund program through fiscal year 1993. Several factors account for EPA's low rate of cost recovery. First, EPA has defined recoverable indirect costs narrowly, thus excluding from its recovery efforts \$2.9 billion of the money it spent. Second, EPA has not set goals for taking prompt action on cost recovery cases or for recovering a specified percentage of its costs. In addition, EPA has not developed information that would lead to better program management, such as data on cost recovery efforts and negotiation results. In addition to recovering a larger portion of its costs, EPA could charge higher interest rates on the costs it recovers if the law was changed. EPA is now losing millions of dollars annually because of caps on the interest that EPA can charge.

**Water Pollution:
Information on the Use of Alternative Wastewater
Treatment Systems**

GAO/RCED-94-109, Sept. 26 (48 pages).

The costs of treating the nation's wastewater are huge and rapidly rising. According to the Environmental Protection Agency (EPA), the cost of municipalities' unmet needs for wastewater treatment facilities rose about \$17.7 billion from 1988 to 1992 and totaled \$108 billion in 1992. This report examines whether the wastewater treatment costs could be reduced through the use of alternative treatment systems. GAO discusses (1) cost-effective alternatives to conventional systems for collecting and

treating wastewater, (2) barriers limiting the use of these alternatives, and (3) how EPA is addressing the development of future technologies.

**Toxic Substances:
Status of EPA's Efforts to Reduce Toxic Releases**

GAO/RCED-94-207, Sept. 22 (14 pages).

To get industry to identify and voluntarily reduce the amounts of toxic substances released into the air, ground, and water, the Environmental Protection Agency (EPA) has undertaken several initiatives. The Toxic Release Inventory records the releases of more than 300 toxic chemicals reported to EPA and to the state in which a releasing facility is located. Under the 33/50 Program, EPA has encouraged industry to reduce releases of 17 toxic chemicals by 33 percent before the end of 1992 and by 50 percent before the end of 1995. The Early Reductions Program seeks to reduce emissions into the air before EPA proposes emission standards by giving industry a six-year extension for meeting the standards as they are developed during a 10-year period. This report determines (1) the validity of the reductions in releases of toxic substances reported in the Toxic Release Inventory, (2) the progress of the 33/50 Program in meeting its targets for reductions in toxic releases, and (3) the status of participation in the Early Reductions Program.

**Toxic Substances:
EPA Needs More Reliable Source Reduction Data and
Progress Measures**

GAO/RCED-94-93, Sept. 23 (34 pages).

In 1990, Congress passed the Pollution Prevention Act, which authorizes the Environmental Protection Agency (EPA) to help companies implement source reduction techniques. The act also requires companies to report their results to EPA's Toxic Release Inventory, which includes data on releases of more than 300 toxic chemicals. This report reviews EPA's (1) progress in implementing source reduction reporting requirements, (2) results under a voluntary program to reduce emissions of 17 highly toxic chemicals, and (3) activities to disseminate source reduction information to meet state and industrial needs.

**Toxic Substances Control Act:
Legislative Changes Could Make the Act More Effective**

GAO/RCED-94-103, Sept. 26 (68 pages).

Thousands of toxic chemicals are in commercial use. Although these chemicals are important in producing goods and services, they are often toxic and can harm human health and the environment. Congress passed the Toxic Substances Control Act in 1976 to enable the Environmental Protection Agency (EPA) to obtain more information on chemicals and to control those that pose an unreasonable risk. In response to congressional concerns that EPA has been slow to implement the act, this report evaluates EPA's efforts to (1) assess chemicals under the act, (2) control those found to be harmful, and (3) make the act's information on chemical risks publicly available by reducing the amount of information that the chemical industry claims as confidential.

Financial Institutions

**Resolution Trust Corporation:
Affordable Housing Disposition Program Achieving Mixed Results**

GAO/GGD-94-202, Sept. 28 (26 pages).

The Resolution Trust Corporation's (RTC) Affordable Housing Disposition Program has achieved mixed results in providing affordable home ownership and rental opportunities to very low-, lower-, and moderate-income families. Progress continues in the sales of both single- and multifamily properties and the development of procedures governing the single-family program. Additionally, RTC and the Federal Deposit Insurance Corporation have developed a plan to unify their respective programs. However, program oversight would be strengthened if RTC obtained complete information on the occupancy status of each multifamily property, set specific time frames for property owners to comply with occupancy requirements, determined if stiffer penalties for noncompliance are needed, and ensured that land use restriction agreements are properly recorded.

**Depository Institutions:
Divergent Loan Loss Methods Undermine Usefulness of
Financial Reports**

GAO/AIMD-95-8, Oct. 31 (80 pages).

Loan loss reserves are a major indicator of a depository institution's loss exposure from problem loans and are critical to understanding the entity's financial condition. From 1980 to 1992, about 2,700 federally insured institutions failed, at a substantial cost to taxpayers and the insurance funds. Loan losses were behind many of these failures. Past GAO reports have shown that institutions inadequately estimated loan losses prior to failure and that regulatory examiners have lacked a consistent framework to quantify loan portfolio risks and assess reserve adequacy. In reviewing the methods used by federally insured depository institutions to establish loss reserves for loans that are likely to be uncollectible, GAO found that neither authoritative accounting standards nor regulatory guidance provided sufficiently detailed direction to depository institutions for establishment of loan loss reserves. As a result, institutions used widely diverse methods that produced reserves that could not be meaningfully compared among such institutions and may not have reflected the true loss exposure in the institutions' loan portfolios.

Testimony

Corporate Credit Unions: Condition, Issues, and Concerns, by Thomas J. McCool, Associate Director for Financial Institutions and Markets Issues, before the House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-95-15, Oct. 6 (26 pages).

Thousands of insured credit unions have placed about \$30 billion—a substantial part of their unloaned deposits—in the 44 corporate credit unions for investment purposes. Because this concentration of credit union assets represents a large potential risk to the National Credit Union Share Insurance Fund, the safe and sound operation of corporate credit unions is a necessity. This testimony highlights the combined financial condition of these institutions, their investment policies and practices, and current issues they are facing. GAO also discusses potential problems that could affect the financial health of the corporate credit unions, the credit union industry, and the Insurance Fund.

Financial Management

**OMB's High-Risk Program:
Comments on the Status Reported in the President's Fiscal Year
1995 Budget**

GAO/AIMD-94-136, Sept. 20 (22 pages).

GAO examined the Office of Management and Budget's (OMB) update of its high-risk program, as presented in the President's fiscal year 1995 budget submission. For the 1995 budget submission, OMB decided to delete 26 areas from the program. GAO disagrees with OMB's deletion decision in three areas—contract administration controls at the Defense Department, the Energy Department's weapons complex reconfiguration, and staffing at the Bureau of Prisons. Of the 84 active areas on OMB's high-risk list, GAO disagrees with OMB's progress assessment for three areas—the Federal Employees Health Benefits Program, Superfund program controls, and financial management at the Treasury Department.

**Financial Management:
Status of Defense Efforts to Correct Disbursement Problems**

GAO/AIMD-95-7, Oct. 5 (20 pages).

Despite numerous audit reports during the past 14 years that repeatedly cited internal control weaknesses, the Defense Department (DOD) continues to experience problems in accounting for disbursements. Not being able to properly match a disbursement to an obligation is a serious, fundamental breakdown in internal controls and DOD's fund control systems. Although DOD has taken some initial steps to overcome its disbursement problems, serious weaknesses still plague DOD's systems, as evidenced by the nearly \$25 billion in problem disbursements identified as of June 1994. Intensified and sustained top-level management commitment, as called for by the DOD Comptroller, will be needed to resolve the disbursement problems. In the short term, DOD's efforts, such as its manual research of problem disbursement transactions to correct errors, will likely reduce the amount of disbursements not properly matched to obligations. However, the disbursement problem will not be adequately resolved until weaknesses in control procedures that allow problem disbursements to occur are corrected and improvements are made to DOD's contract pay and accounting systems.

**Financial Audit:
Senate Restaurants Revolving Fund for Fiscal Years 1993 and 1992**

GAO/AIMD-95-1, Oct. 12 (16 pages).

GAO audited the balance sheets of the Senate Restaurants Revolving Fund for fiscal years 1993 and 1992 and the related statements of operations and cash flows. The Fund operates restaurants for Senators, Senate

employees, and the public. GAO found that the financial statements were reliable in all material respects; internal controls reasonably ensured that losses, noncompliance with laws and regulations, and misstatements affecting the financial statements would be prevented or detected; and there was no material noncompliance with laws and regulations.

**Financial Audit:
House Child Care Center—Fiscal Years Ended 9-30-93, 9-30-92, and
Month Ended 9-30-91**

GAO/AIMD-95-2, Oct. 14 (19 pages).

GAO audited the balance sheets of the House Child Care Center (the Center) for fiscal years 1993 and 1992 and the related statements of revenues, expenses, and fund balances and statements of cash flows. GAO also audited the balance sheet and related statements of the House Child Care Center, Inc. (the Corporation) as of September 30, 1991. The Center provides preschool child care for children of House Members and staff. At the beginning of fiscal year 1992, the Corporation's activities, except for its fund-raising activities, were transferred to the Center. GAO found that the financial statements were reliable in all material respects; internal controls reasonably ensured that losses, noncompliance with laws and regulations, and misstatements affecting the financial statements would be prevented or detected; and there was no material noncompliance with laws and regulations.

**Government
Operations**

**U.S. Postal Service:
Labor-Management Problems Persist on the Workroom Floor**

GAO/GGD-94-201A and GAO/GGD-94-201B, Sept. 29 (23 pages and 152 pages).

More than 800,000 people work for the U.S. Postal Service, making it the nation's largest civilian employer. During the Postal Service's history, relations between labor unions and postal management have often been confrontational. Postal employees work under a highly structured system of rules and an autocratic management style. Working conditions at plants and post offices reportedly have contributed to tension and frustration, and the number of violent incidents involving postal employees has increased since 1983. The results of GAO's review of labor-management relations at the Postal Service are presented in two volumes. The first volume summarizes (1) the labor-management conflicts that exist on the

workroom floor of the vast mail processing plants and post offices and (2) past and current efforts by the Postal Service, employee unions, and management associations to end the conflict. GAO makes recommendations concerning the adversarial labor-management relations at the national level and long-standing quality of worklife issues on the workroom floor. The second volume discusses in more detail the labor-management environment in the Postal Service. Included are (1) postal management, union, and management association views on the underlying causes of workroom conflict; (2) employee opinions about the Postal Service on a wide range of topics; (3) descriptions of the work climate in mail processing plants and post offices that GAO visited; and (4) descriptions of past and current initiatives to change that climate.

**Training Procurement:
Weaknesses Identified in NTSB Procurement Practices**

GAO/OSI-94-20, July 26 (seven pages).

GAO investigated the National Transportation Safety Board's (NTSB) procurement of leadership and management courses taught by the firm of Miller & Friends. In fiscal years 1990 through 1993, NTSB employees attended at least 18 courses provided by Miller & Friends at a total cost of \$167,000, exclusive of travel and per diem expenses. The NTSB kept incomplete records on the training courses obtained from Miller & Friends. Available records indicate that NTSB did not seek competition for the Miller & Friends training courses and did not provide any justification for not seeking competition. Available records also show that the total billing for one of the training courses was split between several purchase orders. Further, NTSB officials did not investigate questions about Mr. Miller's qualifications. Although some NTSB employees objected to attending courses and to the training techniques used by Miller & Friends, other described the courses positively. In one instance, Mr. Timothy Forte, the Director of Aviation Safety, failed to properly report reimbursement that he had received for travel expenses from an NTSB vendor.

**U.S. Government Aid to Business:
Federal Programs That Provide Management and
Technical Assistance**

GAO/GGD-95-3FS, Oct. 14 (eight pages).

This fact sheet provides information on federal government programs that give management and technical assistance to businesses. GAO (1) identifies, given the limited time constraints of the assignment, as many federal government programs that provide such help as was possible; (2) briefly describes these programs and identifies the target customers that these programs were designed to serve; and (3) reports the current funding levels for these programs.

**Postal Service:
Service and Cost Aspects of the Dakota Central Area Mail
Processing Center**

GAO/GGD-95-16, Oct. 18 (18 pages).

This report reviews mail service in the communities served by the Dakota Central Area Mail Processing Center in Huron, South Dakota. GAO assesses the validity of concerns of postal customers that the new center, which opened in July 1993, would not be able to maintain overnight mail service in the area. GAO compares mail service in Aberdeen, South Dakota, which processes its own mail, with service in and between other communities whose mail is processed at the center. GAO also compares (1) the cost of the center with the projected costs and (2) the number of personnel and work hours devoted to mail processing before and after the consolidation.

Testimony

Government Contractors: Contracting Out Implications of Streamlining Agency Operations, by L. Nye Stevens, Director of Planning and Reporting in the General Government Division, before the Subcommittee on Civil Service, House Committee on Post Office and Civil Service. GAO/T-GGD-95-4, Oct. 5 (10 pages).

To help the government work better and cost less, the Vice President's National Performance Review has proposed greater competition in the provision of public service. The Administration has also set an objective of downsizing the federal workforce by more than 270,000 positions. One possible effect of this objective could be an increase in the use of contractors to provide various services to the government. This testimony discusses how agencies can go about making these decisions to ensure that the public receives the best possible service at the most reasonable cost.

Health

Long-Term Care: Other Countries Tighten Budgets While Seeking Better Access

GAO/HEHS-94-154, Aug. 30 (44 pages).

In the United States, the number of people age 65 and older will exceed 20 percent of the total population by the year 2030, up from 12.5 percent in 1990. Public and private spending for long-term care has risen dramatically during the past decade—exceeding \$100 billion in fiscal year 1993—and is projected to continue this upward trend. At the same time, there is considerable consumer dissatisfaction with the cost of and access to this care. To varying degrees, other countries also face aging populations, cost pressures, and service delivery problems. This report reviews the provision of long-term care in Canada, Germany, Sweden, and the United Kingdom. GAO examines (1) the financing and cost-containment measures these countries use to control public spending for long-term care and (2) administrative and delivery approaches the countries use to expand the range of and access to services.

Health Care Reform: Considerations for Risk Adjustment Under Community Rating

GAO/HEHS-94-173, Sept. 22 (24 pages).

As part of the debate over health care reform, some have proposed prohibiting insurers from denying coverage or charging different premiums to persons on the basis of their health status. Under such a “community rating” system, an insurer would have to charge each potential beneficiary the same premium for a given insurance plan. However, community rating could create financial incentives for insurers to attract only healthy clients because these people would, on average, pay more in premiums than they generate in claims. Insurers’ profits would depend more on the plan’s ability to attract healthy beneficiaries and would be less responsive to efforts to deliver high-quality service at the lowest price. Risk adjustment can mitigate the undesirable effects of community rating on insurers’ incentives. This report describes how the federal government’s previous experience with risk adjustment is relevant to implementing risk adjustment under health care reform and identifies features of health care reform that could affect the ability to adequately risk adjust.

**Health Care:
Employers Urge Hospitals to Battle Costs Using Performance
Data Systems**

GAO/HEHS-95-1, Oct. 3 (47 pages).

Many large employers have become increasingly concerned about the wide variation in hospital costs across their communities. They believe that they may be paying for care that is not being delivered in the most efficient way. At the same time, they contend that they lack the information needed to assess the value of health care they are paying for. To meet this need, some employers, such as Walt Disney World in Orlando and Proctor and Gamble in Cincinnati, have organized health care coalitions to help them make better purchasing decisions. By developing and sharing comparable information on hospital performance in their communities, they hope to make health care providers more accountable for the services they deliver. This report examines (1) the reasons why employer coalitions and hospitals are using comparative performance measurements systems and (2) whether these systems report the information employers and hospitals need to compare outcomes.

**Medical Education:
Curriculum and Financing Strategies Need to Encourage Primary
Care Training**

GAO/HEHS-95-9, Oct. 21 (50 pages).

The number of active doctors who are primary care physicians—family and general practice physicians, general internists, and pediatricians—has dropped from 53 percent to 35 percent since 1960. The Department of Health and Human Services predicts a shortage of 35,000 primary care physicians by the year 2000. GAO analyzed student characteristics associated with choosing primary care and surveyed medical schools and residency programs. GAO concludes that reversing this trend would require changes in medical school curricula to expose students to more primary care medicine, as well as changes in residency financing, which now discourages teaching hospitals from sponsoring primary care training.

Housing

Housing Finance: Implications of Alternative Methods of Adjusting the Conforming Loan Limit

GAO/RCED-95-6, Oct. 5 (34 pages).

The Housing and Community Development Act of 1980 caps the size of mortgages that can be purchased by either Fannie Mae or Freddie Mac. The act allows the conforming loan limit to be adjusted annually so that Fannie Mae and Freddie Mac can respond to changing conditions. For 1994, the conforming loan limit is \$203,150. This report reviews the methodology used to adjust the conforming loan limit. GAO (1) assesses the effect on the loan limit of using alternative adjustment methods, (2) determines the implications of Fannie Mae's and Freddie Mac's decisions not to adjust the loan limit for 1994, and (3) provides information on how users of the Finance Board's data view the data's accuracy.

Mortgage Financing: Financial Health of FHA's Home Mortgage Insurance Program Has Improved

GAO/RCED-95-20, Oct. 18 (35 pages).

Through its Federal Housing Administration (FHA), the Department of Housing and Urban Development insures private lenders against losses on home mortgages financed through its Mutual Mortgage Insurance Fund. These mortgages are now valued at nearly \$270 billion. Although the Fund has historically been financially self-sufficient, it began to experience substantial losses during the 1980s, mainly because of high foreclosure rates on single-family homes supported by the fund in economically depressed areas. This report (1) summarizes GAO's assessment of the economic net worth of the Fund at the end of fiscal year 1993 and (2) describes GAO's econometric and cash flow modeling approach for forecasting the economic net worth of the Fund.

Testimony

Federally Assisted Housing: Expanding HUD's Options for Dealing with Physically Distressed Properties, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Employment, Housing, and Aviation, House Committee on Government Operations. GAO/T-RCED-95-38, Oct. 6 (24 pages).

Under its Section 8 project-based assisted housing programs, the Department of Housing and Urban Development (HUD) pays part of the rent for low-income families living in privately owned rental housing. HUD provides this assistance for more than 20,000 privately owned properties nationwide at an estimated annual cost of \$5.8 billion. The mortgages for about half of these properties are also insured or held by HUD. This testimony (1) compares the costs of rehabilitating two properties in poor physical condition—Edgewood Terrace Apartments in Washington, D.C., and 6000 South Indiana Apartments in Chicago—with the costs of other alternatives for housing the tenants, (2) discusses the views of tenants and community leaders on these options, and (3) identifies legislative and administrative factors limiting HUD’s discretion in dealing with physically distressed properties.

Income Security

Private Pensions: Funding Rule Change Needed to Reduce PBGC’s Multibillion Dollar Exposure

GAO/HEHS-95-5, Oct. 5 (64 pages).

In 1990, GAO flagged 17 federal programs areas as “high risk,” including the Pension Benefit Guaranty Corporation (PBGC), which is plagued by a mounting deficit and a large exposure to potential claims from underfunded plans. PBGC recently reported that underfunding in the single employer defined benefit plans it insures grew from \$38 billion in 1991 to \$53 billion in 1992—this despite more stringent funding requirements that the Pension Protection Act mandated for underfunded plans in 1987. GAO concludes that the current funding rules for underfunded plans are not working well. Despite the act’s goal of reversing plan underfunding, most sponsors of underfunded plans made no additional contributions to reduce underfunding in 1990. This is partly due to an unanticipated design flaw that yields offsets that are too large for many plans. In addition to describing the act’s weaknesses in reducing underfunding, this report describes the potential impact of the proposed Pension Funding Improvement Act of 1993 and the administration’s proposed Retirement Protection Act of 1993 on improving plan funding.

Information Management

Telecommunications: FCC Procedures Delay Release of Decision Documents

GAO/RCED-94-242, Sept. 28 (24 pages).

Regulatory decisions made by the Federal Communications Commission (FCC) affect everything from network and cable television programming to telephone services and rates. Once a vote has been taken by the five-member Commission, a decision document, such as a rulemaking published in the Federal Register or a letter in response to a petition, is released to the public. In response to congressional concerns that FCC has been taking too long to release decision documents after the Commissioners have voted, this report examines (1) the timeliness of public releases of FCC decisions, (2) whether FCC's procedures for releasing documents contribute to delays in these releases and how FCC's procedures compare to those of the Nuclear Regulatory Commission and the Securities and Exchange Commission, and (3) FCC's controls to ensure that decisions voted on by the Commissioners are not revised without their approval. GAO also provides information on FCC's circulation voting process and on ex parte contacts.

International Affairs

State Department: Overseas Staffing Process Not Linked to Policy Priorities

GAO/NSIAD-94-228, Sept. 20 (19 pages).

In staffing its overseas posts, the State Department does not use an objective, quantifiable methodology that ranks posts on the basis of U.S. foreign policy priorities. Several internal State Department studies since 1988 have expressed concern about this situation. Senior State Department officials have acknowledged that the current personnel resources planning and allocation processes fail to adequately link personnel resources with policy priorities. This report discusses State's efforts to improve this process and the process State used to identify the 17 posts to close in 1993 and 1994.

U.S.-Chilean Trade: Pesticide Standards and Concerns Regarding Chilean Sanitary Rules

GAO/GGD-94-198, Sept. 28 (50 pages).

The United States and Chile are preparing to negotiate a free trade agreement that would lift tariffs and other import barriers and should promote more bilateral trade. Agricultural products account for a major portion of U.S.-Chilean bilateral trade, although Chile exports far more agricultural products to the United States than it imports from this country. This report (1) compares U.S. and Chilean processes for registering pesticides, setting pesticide residue tolerances (maximum legal limits) on foods, and monitoring compliance with these tolerances and (2) determines whether Chilean sanitary and animal and plant health rules restrict potential U.S. agricultural exports.

**Weapons of Mass Destruction:
Reducing the Threat From the Former Soviet Union**

GAO/NSIAD-95-7, Oct. 6 (62 pages).

In 1991, Congress authorized the Defense Department (DOD) to establish a Cooperative Threat Reduction program to help the former Soviet Union destroy nuclear, chemical, and other weapons; transport and store these weapons in connection with their destruction; and prevent their proliferation. So far, DOD has more than \$1 billion in spending authority for the program. This report examines the program's (1) progress in implementing projects and obligating funds, (2) overall planning, (3) potential impact, and (4) use of funds for nonpriority objectives.

**North American Free Trade Agreement:
Structure and Status of Implementing Organizations**

GAO/GGD-95-10BR, Oct. 7 (46 pages).

In January 1994, the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico went into effect. The most comprehensive free trade agreement ever negotiated, NAFTA is expected to create the world's largest free trade zone when it is gradually implemented during the next decade. This briefing report provides information on the establishment of organizations to carry out NAFTA's goals and the extent to which a new bureaucracy is being created to manage the terms of the agreement. GAO identifies (1) the design and composition of the various organizations created by NAFTA and its related agreements, (2) the status of staffing and budget-related issues for these organizations, and (3) any instances of the expansion of NAFTA's bureaucracy.

Justice and Law Enforcement

Testimony

INS: Management Problems and Program Issues, by Laurie E. Ekstrand, Associate Director for Administration of Justice Issues, before the Subcommittee on International Law, Immigration and Refugees, House Committee on the Judiciary. GAO/T-GGD-95-11, Oct. 5 (16 pages).

This testimony discusses the management and program problems that confronted the Commissioner of the Immigration and Naturalization Service (INS) when she took office in November 1993. For instance, the backlog of aliens requesting asylum is large and growing. The demand for naturalization and other benefits is such that INS cannot meet its own processing time goal in some districts. In fiscal year 1993, almost 500 million people were processed for entry into the United States. The identification and removal of criminal and illegal aliens remains an enormous problem. The flow of aliens across the Southwest border continues. Crises that INS must respond to, such as the recent influx of Haitians and Cubans, add to its workload. Many of these problems persist; however, INS seems to be aware of them and is making progress in addressing them.

Drug Control: U.S. Drug Interdiction Issues in Latin America, by Joseph E. Kelley, Director of International Affairs Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-95-32, Oct. 7 (four pages).

This testimony discusses the impact in Peru of the May 1994 U.S. decision to stop sharing with some countries real-time detection and monitoring information that could be used to shoot down civilian aircraft suspected of transporting illegal drugs. GAO also discusses its past reviews of drug interdiction.

National Defense

Inventory Management: Handheld Missiles Are Vulnerable to Theft and Undetected Losses

GAO/NSIAD-94-100, Sept. 16 (36 pages).

Among other discrepancies, 40 deadly Stinger missiles shipped to the Middle East during the Persian Gulf War could not be accounted for when GAO visited military storage sites to check the inventory of handheld missiles—the Stinger, the Redeye, and the Dragon. In all, inventory records differed from GAO’s physical count by thousands of missiles. The military services do not know how many of these missiles they have in their possession because they have not established systems to track the missiles produced, fired, destroyed, sold, and transferred by serial number. Lax military oversight and record-keeping have left these missiles, which are in demand by terrorists and drug dealers, vulnerable to theft.

**U.S. Navy/Military Sealift Command:
Weak Contract Administration Led to Unsafe and Poorly
Maintained Ships**

GAO/OSI-94-27, Aug. 31 (25 pages).

The Navy depends upon a privately run sealift tanker fleet to transport jet fuel and other petroleum products to ports worldwide. A GAO review found understaffed and unqualified crews—some with felony records; deteriorating vessels plagued by everything from massive oil leaks to inoperable life boats; and poor oversight by the Military Sealift Command. The lack of maintenance, which harmed the ship’s safety and mission readiness, ended up costing the federal government an additional \$20 million. Weaknesses in the Command’s contract administration included the absence of (1) a program manager, (2) a written designation of departmental responsibilities for the program, and (3) a Contracting Officer’s Technical Representative to monitor the performance of the contractor operating the nine tankers from 1990 until 1993. GAO summarized this report in testimony before Congress; see:

Military Sealift Command Contracts: Contract Abuses Resulted in Poorly Maintained Ships, Unqualified Crews, and Increased Cost to Government, by Richard C. Stiener, Director of the Office of Special Investigations, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-OSI-95-3, Oct. 12 (eight pages).

**Commercial Practices:
Opportunities Exist to Enhance DOD's Sales of Surplus
Aircraft Parts**

GAO/NSIAD-94-189, Sept. 23 (27 pages).

In fiscal year 1993, the Defense Department's (DOD) proceeds from the sale of commercial-type surplus aircraft parts averaged less than one percent of what DOD paid for them. In contrast, commercial airlines realized proceeds on the order of 40 to 50 percent from the sale of comparable parts. The large difference in proceeds reflects the different incentives and marketing practices at work within DOD and the private sector. DOD's system for selling surplus aircraft parts is largely driven by policies designed to dispose of the parts quickly. Maximizing sales proceeds is of lesser importance. Although not always directly comparable to DOD, commercial airlines have a system for selling surplus aircraft parts that reflects the profit incentive. Progressive commercial airlines provide the tools for their staff to maximize sale proceeds in the form of both the training and resources needed to effectively sell the property. Commercial companies also use marketing techniques that substantially enhance the visibility and marketability of their parts. Although it may not be practical for DOD to duplicate commercial marketing techniques, it appears that DOD could substantially increase its proceeds by adopting some basic marketing practices. Critical to the success of such practices, however, will be some establishment or realignment of incentives.

**Household Goods:
Administrative Changes Would Improve DOD's Do-It-Yourself
Moving Program**

GAO/NSIAD-94-226, Sept. 27 (30 pages).

GAO reviewed the Defense Department's (DOD) Do-It-Yourself Moving program, a voluntary program in which military personnel move their own household goods or arrange to have them moved by a private company. Under the program, service members receive 80 percent of what it would have cost the government to ship the goods by a commercial carrier. The program is intended to save the government money while also providing extra income, in the form of a cash incentive, to participating members. GAO (1) assesses the extent to which service members were using the program, (2) determines whether DOD was adequately making service

members aware of the program's benefits, and (3) ascertains whether DOD has sufficient controls to ensure that the program is cost-effective.

**Environment:
DOD's New Environmental Security Strategy Faces Barriers**

GAO/NSIAD-94-142, Sept. 30 (14 pages).

According to Defense Department (DOD) officials, the United States today confronts a wide range of threats to environmental security, including ozone depletion, environmental terrorism, risks to public health and the environment from military activities, and a variety of contaminants at DOD installations. DOD's revised strategy for protecting the environment calls for creating environmental partnerships, matching environmental and economic opportunities, expediting cleanup at all DOD sites, preventing pollution rather than controlling pollution, and targeting technology to meet U.S. environmental needs. This report provides information on the new strategy and the changes made to DOD's organizational structure for environmental management. GAO also reviews portions of the administrative operations and controls over funding of the Office of the Deputy Assistant Secretary of Defense (Environment).

**Acquisition Reform:
DOD Begins Program to Reform Specifications and Standards**

GAO/NSIAD-95-14, Oct. 11 (22 pages).

Pentagon officials consider acquisition reform an imperative, and they view eliminating unnecessary reliance on military specifications and standards as critical to this effort. However, the Defense Department (DOD) has been trying to reduce its reliance on military specifications and standards for more than 20 years with only modest success. DOD has developed a new reform program, which the military services and DOD agencies were directed in June 1994 to implement. This report presents the results of GAO's self-initiated review of this key aspect of acquisition reform. GAO discusses whether the current program (1) goes further than earlier attempts to advance military specifications and standards reform and (2) gives adequate attention to key issues and concerns.

**Aviation Continuation Pay:
Some Bonuses Are Inappropriate Because of Prior
Service Obligations**

GAO/NSIAD-95-30, Oct. 14 (17 pages).

In 1989, the House Armed Services Committee expressed concern about the large number of pilots who had testified at hearings that they had accepted aviation retention bonuses—known as aviation continuation pay—because the obligations they incurred ran concurrently with existing service commitments. Despite congressional directives that such payments should be avoided, DOD continues to pay bonuses for time that service members already have commitments. In fiscal years 1992 and 1993, 58 percent and 69 percent, respectively, of the new aviation continuation pay contractors went to aviators with preexisting commitments. Overlapping commitments averaged 15 months and cost DOD about \$15 million in fiscal year 1992 and \$11 million in fiscal year 1993. Payment of such bonuses is not only inconsistent with congressional direction but is not a prudent use of taxpayer dollars.

**Naval Aviation:
F-14 Upgrades Are Not Adequately Justified**

GAO/NSIAD-95-12, Oct. 19 (10 pages).

The Navy has not made a compelling case for its \$2.5 billion upgrade of the F-14 fighter plane. The upgrade offers few improvements over existing capabilities and may not be available before the F/A-18E/F, the next generation strike fighter, is scheduled for deployment at the turn of the century. Although the Navy argued that the F-14 upgrade was needed to replace some capability that will be lost when it retires all A-6E attack aircraft by fiscal year 1998, the planned upgrade will not include an air-to-ground radar for precision ground mapping that would permit crews to locate and attack targets in bad weather and poor visibility. In addition, no F-14s will be able to launch current or planned precision munitions or stand-off weapons, except for laser guided bombs.

**DOD Force Mix Issues:
Greater Reliance on Civilians in Support Roles Could Provide
Significant Benefits**

GAO/NSIAD-95-5, Oct. 19 (55 pages).

In the wake of the Defense Department's (DOD) continuing efforts to downsize, this report identifies ways for the military services to achieve operational efficiencies and budget savings through greater use of civilian personnel in support positions. GAO concludes that by replacing more military forces in support roles with civilians, DOD could significantly reduce personnel costs—on average, each civilian support employee costs \$15,000 less per year than a comparably graded military person—and release military personnel for combat duties. In addition, this report addresses the need to include requirements for civilian employees and contractors in contingency planning processes to ensure that they will be fully prepared to deploy to future conflicts when needed. GAO also follows up on steps taken to correct problems identified after DOD and the services assessed civilian deployments to the Persian Gulf.

**Navy Ships:
Lessons of Prior Programs May Reduce New Attack Submarine
Cost Increases and Delays**

GAO/NSIAD-95-4, Oct. 20 (18 pages).

Lessons learned from prior submarine programs, particularly the Seawolf, could help the Navy save as much as \$100 million in acquisition costs while improving design quality and construction for the SSN, the latest class of nuclear-powered attack submarine. Specifically, the Navy may want to (1) contract with a single shipyard to both design and build the lead submarine, (2) delay lead ship construction until the ship's design is substantially mature, (3) strengthen the specification development and approval process, (4) identify critical components and supply vendors early in the program, and (5) reduce submarine combat system development risks. Because of the importance of applying both management and technical lessons, GAO believes that the formal Defense Department approved acquisition strategy should spell out specifically how the Navy will avoid repeating the problems of earlier programs.

**Defense Management:
Impediments Jeopardize Logistics Corporate Information
Management**

GAO/NSIAD-95-28, Oct. 21 (80 pages).

In 1992, the Defense Department (DOD) projected that its Corporate Information Management (CIM) initiative would help it to save \$36 billion

by fiscal year 1997. According the Joint Logistics Systems Center, which was created to help achieve CIM goals, as much as \$28 billion would be saved by improving DOD's logistics functions. Today, however, DOD is neither projecting nor tracking CIM savings. DOD officials acknowledge that the CIM initiative will be difficult to implement, and it may be years before most of the savings materialize. As part of GAO's review of the CIM initiative, this report focuses on the DOD logistics function of materiel management. GAO discusses (1) improvements made to business processes and supporting information systems and (2) impediments to achieving CIM results.

Natural Resources

Forest Service: Factors Affecting Timber Sales in Five National Forests

GAO/RCED-95-12, Oct. 28 (29 pages).

In recent years, debate about the future of the national forest system has focused on ensuring that timber harvests do not exceed the forests' ability to replenish the available supply of timber. An important component of managing forests on a sustained-yield basis is each forest's "allowable sale quantity"—an estimate of the maximum volume of timber that can be sold from each forest over a 10-year period without impairing other uses of the forest, such as recreation or wildlife habitat. GAO reviewed the allowable sale quantities and the timber sales at five national forests—the Deschutes and Mt. Hood in Oregon, Gifford Pinchot in Washington, Ouachita in Arkansas, and Chattahoochee-Oconee in Georgia. The Forest Service did not meet allowable sale quantities in the five forests for a variety of reasons, including (1) limitations in the data and estimating techniques on which the allowable sale quantities were originally based, (2) new forest management issues and changing priorities, and (3) rising or unanticipated costs associated with preparing timber sales and administering harvests. Although forest officials believed that they used the best information available to develop the allowable sale quantities, they later failed to meet these levels. As a result, timber sales for each of the five forests between fiscal years 1991 and 1993 were significantly below the average annual allowable sale quantity.

Social Services

Early Childhood Programs: Multiple Programs and Overlapping Target Groups

GAO/HEHS-95-4FS, Oct. 31 (34 pages).

This report responds to a congressional request for information on early childhood programs—that is, preschool and child care programs for children from birth through age five. In summary, GAO found that in fiscal years 1992 and 1993, the federal government funded more than 90 early childhood programs in 11 federal agencies and 20 offices. Of these programs, 34 were key programs—early childhood programs for which early childhood education or child care is the key to the program’s mission. These key programs delivered services to at least two million children below age five and spent at least \$3.66 billion in fiscal year 1992. However, data are limited on the exact number of children served and the dollars spent on children below age five. Although these programs have some similarities, they may target different populations, use different eligibility criteria, and provide a different mix of services to children and their families.

Tax Policy and Administration

Tax Administration: Compliance Measures and Audits of Large Corporations Need Improvement

GAO/GGD-94-70, Sept. 1 (201 pages).

Although the nation’s 1,700 largest corporations pay billions of dollars in taxes, do they pay all they owe? To address this matter, the Internal Revenue Service (IRS) audits these companies under its Coordinated Examination Program. Of the sizable sums that IRS auditors recommend in additional taxes, how much is collected after appeals and litigation? What factors reduce amounts collected? And what is the status of IRS’s ongoing changes to the program to address those factors? This report seeks to answer these questions.

Tax Administration: Continuing Problems Affect Otherwise Successful 1994 Filing Season

GAO/GGD-95-5, Oct. 7 (26 pages).

The 1994 tax filing season was successful in many respects. The number of returns filed increased after an unexpected decline in 1993, and more taxpayers used alternatives to the traditional paper filing method. Tax refunds were generally processed accurately and issued promptly, and IRS improved the accuracy of its return processing, reducing the amount of rework. IRS computers generally worked well with minimal downtime. Taxpayers looking for tax forms and publications at IRS walk-in sites could reasonably expect to find them, and taxpayers calling IRS' toll-free telephone lines with tax law questions could generally expect to get accurate answers. However, there were some significant problems. The number of IRS-detected fraudulent refund claims continued the steady increase that has troubled the agency for the past several years. The ability of taxpayers to reach IRS by telephone has been a problem for several years and deteriorated even further in 1994. The earned income credit was the source of many errors by taxpayers and tax practitioners preparing returns.

**Tax Administration:
IRS Can Strengthen Its Efforts to See That Taxpayers Are
Treated Properly**

GAO/GGD-95-14, Oct. 26 (59 pages).

Several initiatives have been undertaken in recent years to better protect taxpayers—particularly the enactment of the Taxpayer Bill of Rights in 1988 and the Internal Revenue Service's (IRS) continuing efforts to improve its operations and treat taxpayers as customers. IRS also has a wide range of procedures and oversight governing the behavior of its employees in the millions of contacts they have with taxpayers each year. However, because IRS has failed to define or track taxpayer abuse, it is hard to assess IRS efforts to protect taxpayers from abusive enforcement, unnecessarily long conflict resolution, or unauthorized "snooping" into taxpayers' files.

Transportation

**Air Traffic Control:
Status of FAA's Plans to Close and Contract Out
Low-Activity Towers**

GAO/RCED-94-265, Sept. 12 (25 pages).

From fiscal year 1994 through fiscal year 1997, the Federal Aviation Administration (FAA) plans to close low-activity air traffic control towers

that do not meet its benefit-cost criteria, contract out the operations of all remaining towers, and relocate controllers from towers that are closed or contracted out to other FAA facilities. FAA does not believe that safety will be jeopardized by closing or contracting out low-activity towers. FAA's benefit-cost criteria include an assessment of safety, and FAA has not experienced safety problems with towers that are already run by contractors. This report (1) determines the reasonableness of FAA's plans to close low-activity towers and contract out the operations of others, (2) assesses the reasonableness of the potential savings generated by such actions, (3) identifies factors that could impede FAA's plans to close and contract out towers, and (4) identifies steps that FAA can take to enhance its strategy for reassigning controllers from closed out or contracted out towers.

**Global Positioning Technology:
Opportunities for Greater Federal Agency Joint Development
and Use**

GAO/RCED-94-280, Sept. 28 (28 pages).

Recent technology has made it possible to greatly improve the accuracy of global positioning information available from satellites. This technology, called Differential Global Positioning Systems, allows pilots, surveyors, and others using satellite positioning information for civil uses to determine their position on earth to within a few meters—or even a few centimeters. Many civilian federal agencies, such as the Federal Aviation Administration, are actively pursuing the use of this technology. GAO looked into whether federal agencies are taking full advantage of opportunities to share or jointly develop their systems so as to minimize the cost to taxpayers. This report discusses (1) the extent to which agencies have been developing joint systems or sharing equipment and (2) additional steps that may be needed to enhance joint development or sharing of Differential Global Positioning Systems equipment, facilities, and information.

**New Denver Airport:
Impact of the Delayed Baggage System**

GAO/RCED-95-35BR, Oct. 14 (51 pages).

The automated baggage handling system at the new Denver International Airport has been plagued by serious mechanical and software problems

and has yet to successfully pass the tests necessary for it to be certified operational. In previous tests of the system, bags were misloaded, were misrouted, or fell out of telecarts, causing the system to jam. Although the contractor is making changes to the system to overcome these problems, the airport is installing an alternative, conventional baggage-handling system that can be used until the automated system is operating. The alternative system is estimated to cost about \$51 million. This briefing report discusses (1) problems with the baggage-handling system that delayed the airport's opening, (2) the added costs resulting from the delay, and (3) the adequacy of expected revenues at the new airport to cover the cost of running the facility and to service its debt.

Testimony

Aviation Safety: FAA's Efforts to Improve Oversight of Foreign Carriers, by Allen Li, Associate Director for Transportation Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-95-33, Oct. 4 (eight pages).

Although the Federal Aviation Administration (FAA) has taken several steps to strengthen its oversight of foreign countries' civil aviation programs and their individual carriers, GAO believes that FAA could do more. The agency has finished assessments of the oversight capabilities of the civil aviation authorities of 30 foreign governments, and the Transportation Department has announced the results of these assessments. Also, FAA is working with foreign aviation authorities to improve their safety oversight programs and is increasing the frequency of its inspections of carriers with known safety deficiencies. FAA and the State Department have also developed better ways to track enforcement cases referred to foreign governments for action. However, these oversight efforts could be further refined if FAA implemented GAO's recommendations that the agency (1) do more comprehensive inspections of foreign carriers with safety problems, (2) inspect U.S.-registered, foreign-operated aircraft before they return to service in this country, and (3) follow up to determine whether identified safety deficiencies have been corrected.

Veterans Affairs

**Veterans' Health Care:
Use of VA Services by Medicare-Eligible Veterans**

GAO/HEHS-95-13, Oct. 24 (24 pages).

Medicare-eligible veterans make substantial use of Department of Veterans Affairs (VA) services not extensively covered under Medicare. GAO found that many of these veterans turn to VA specifically to obtain such services, particularly prescription drugs, inpatient psychiatric care, and long-term nursing care. Also, many Medicare-eligible veterans who use VA health care facilities have lower incomes and less private insurance than those who rely solely on Medicare, suggesting that out-of-pocket costs may have influenced veterans to turn to VA for health care. Changes to Medicare or veterans health benefits made as a result of health care reform could significantly affect future demand for VA health care services. Medicare changes that would add benefits, such as outpatient prescription drugs, or reduce beneficiary cost sharing could lower demand for VA health care services. On the other hand, VA benefit changes, such as the elimination of restrictions on access to outpatient services, improved access to care, and expanded entitlement to free care, could boost demand for VA health care. Finally, the historic reluctance of Medicare beneficiaries to enroll in health maintenance organizations could reduce their willingness to enroll in VA health plans as long as traditional fee-for-service care remains available under Medicare.

Special Publications

GAO Reports: Health, Education, Employment, Social Security, Welfare, and Veterans Issues

GAO/HEHS-95-17W, Oct. 1994 (60 pages).

This booklet lists GAO documents issued on government programs related to health, education, employment, social security, welfare, and veterans affairs issues, which are primarily run by the Departments of Health and Human Services, Labor, Education, and Veterans Affairs. One section identifies reports and testimonies issued during the past two months and summarizes key products. Another section lists all documents published during the past two years, organized chronologically by subject. Order forms are included.

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