

October 1995

# Reports and Testimony: September 1995

## Highlights

---

### Uranium Enrichment

*A review of the privatization of the U.S. Enrichment Corporation shows that the projected sale price is partly based on an analysis in need of revision. GAO also believes that because the sale has national security implications, involves billions of dollars, and may set a precedent for future sales, more careful scrutiny should be given to protect the interests of taxpayers. Page 10.*

---

### Deficit Reduction

*On the basis of a wide-ranging body of work evaluating the effectiveness of federal programs, GAO believes that the choice is not whether to reduce the deficit, but when and how. GAO economic simulations also show that eliminating the deficit will boost the capacity to provide a higher standard of living. Page 4.*

---

### Supplemental Security Income

*Some ineligible non-English speaking immigrants have obtained supplemental security income benefits illegally by using middlemen, hired to translate and otherwise help in the application process, who provide false documentation of medical records or coach applicants on how to appear mentally disabled in order to obtain benefits. Page 23.*

---

---

---

---

# Contents

---

<b>Reports and Testimony: September 1995</b>	Agriculture and Food	2
	Budget and Spending	2
	Business, Industry, and Consumers	4
	Civil Rights	7
	Economic Development	8
	Education	9
	Energy	10
	Financial Institutions	11
	Financial Management	13
	Government Operations	15
	Health	17
	Housing	23
	Income Security	23
	Information Management	24
	International Affairs	27
	Justice and Law Enforcement	31
	National Defense	32
	Natural Resources	38
	Science, Space, and Technology	39
	Social Services	40
Tax Policy and Administration	41	
Transportation	42	
Veterans Affairs	43	
Special Publications	43	

---

# Reports and Testimony: September 1995

---

## Agriculture and Food

### **Crop Insurance: Additional Actions Could Further Improve Program's Financial Condition**

GAO/RCED-95-269, Sept. 28 (94 pages).

Since the 1930s, the federal government has offered subsidized crop insurance to farmers. After the program was expanded in 1980 to include more crops and locations, however, it paid out about \$3 billion more in claims through 1994 than it received in premiums from farmers and the federal government. To correct this imbalance, Congress required that, by October 1995, the program reduce its projected ratio to at least \$1 in premiums to \$1.10 in claims paid. In other words, insurance rates were to cover at least 91 percent of the anticipated claims—termed “91-percent adequacy.” The Agriculture Department (USDA) estimates that the government’s costs for the program will total \$1.5 billion for fiscal year 1996. This report examines whether USDA (1) set the insurance rates to achieve 91-percent adequacy, (2) reduced the losses caused by high-risk farmers, (3) based payments to farmers for claimed losses on their actual production history, and (4) set deadlines for farmers to buy crop insurance before planting their crops.

---

## Budget and Spending

### **Block Grants: Issues in Designing Accountability Provisions**

GAO/AIMD-95-226, Sept. 1 (20 pages).

Congress has shown strong interest in consolidating narrowly defined categorical grant programs into broader purpose block grants. A total of 15 block grant programs with funding of \$35 billion were in effect in fiscal year 1994, constituting a small portion of the total federal aid to states. If Medicare and Aid to Families With Dependent Children are added, however, block grant spending could rise substantially—to as much as \$138 billion or about 58 percent of the total federal aid to states. This report summarizes information on how accountability for programs’ financial management can be designed to fit a block grant approach and the potential consequences of such provisions. To provide an overview and summary of GAO’s evaluations of past block grant programs, GAO reviewed nearly two decades of reports, testimony, and other documents on accountability issues related to intergovernmental programs. GAO also

---

consulted with experts on block grants, performance budgeting, and financial accountability.

**Budget Trends:  
Obligations by Item of Expense, Fiscal Years 1971-1994**

GAO/AIMD-95-227, Sept. 12 (62 pages).

The budget object classification structure presents budgetary information in terms of the items of government expenditures—the personal and contractual services obtained, capital assets acquired, and other charges and payments. During fiscal years 1971-94, trends in object class obligations mirrored the better known trends seen in federal outlays. For example, gross obligations for interest charges and “transfer payments,” such as grants and social and health insurance, have grown at about twice the rate of the U.S. gross domestic product. Correspondingly, gross obligations of what remains—what could be called the “operating expenses” of the federal government—represent a declining share of total obligations and have shown overall growth rates of less than one-half the pace of gross domestic product growth. Within this category of obligations, only a few object classes—benefits to current and former personnel; rent, communications, and utilities; and consulting and other services—have experienced real growth greater than the overall pace of economic growth during the 24-year period studied in this report.

**Budget Account Structure:  
A Descriptive Overview**

GAO/AIMD-95-179, Sept. 18 (68 pages).

This report provides an overview of the federal budget account structure. The need to better understand the budget account structure is prompted by recent congressional action, such as the Government Performance and Results Act, and executive branch initiatives, such as the National Performance Review, which call for or suggest cross-cutting changes to budget accounts. This report examines the following eight dimensions to define and explain budget accounts: How many accounts exist? What level of resources is available in an account? What is the main focus of an account as created by Congress? What type of budget authority is available to an account? What is the extent of resource restriction or earmarking within an account? What are the purposes or areas of national need addressed by an account? What federal entity is responsible for an

---

account? The first section of this report describes the budget account structure in terms of these eight dimensions. The second section constructs profiles and discusses relationships among the dimensions.

---

## Testimony

Deficit Reduction: Opportunities to Address Long-Standing Government Performance Issues, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on the Budget. GAO/T-OCG-95-6, Sept. 13 (31 pages).

GAO's work underscores the need to continue to reduce annual deficits and highlights opportunities to improve the performance of government programs concurrent with downsizing efforts. The Comptroller General's testimony focuses on the following four issues that the current budget policy debate needs to consider: (1) the compelling importance of continuing to reduce and eliminate the deficit; (2) the advantage of targeting budget cuts to those government programs that have proven to be ineffective and inefficient in achieving their goals; (3) the need to confront the major drivers of the deficit now and in the future—such as health care and, ultimately, social security—in addressing the deficit to ensure sustainable fiscal progress; and (4) the need to develop and use fundamental management tools and systems and to better design and evaluate programs so that the government that emerges is more effective and can gain the confidence of the nation's taxpayers.

---

## Business, Industry, and Consumers

### **Small Business: SBA's Preferred Stock Repurchase Program**

GAO/RCED-95-249FS, Aug. 18 (21 pages).

The Small Business Administration (SBA) formerly provided investment capital to Specialized Small Business Investment Companies (SSBIC) by purchasing their three-percent preferred stock. In 1989, Congress authorized SBA to allow SSBIC's to repurchase that stock. Following a pilot program, SBA began allowing SSBIC's to buy back their stock at 35 percent of the price paid by SBA. Accrued unpaid dividends were either forgiven or were written off over a five-year period. In May 1995, GAO reported (GAO/RCED-95-146FS) that 17 SSBICs had repurchased their stock under the program. Since then, another four of the current 90 SSBICs have repurchased their stock. This fact sheet provides information on each SSBIC participating in the stock repurchase program, including (1) the

---

repurchase price paid, unpaid dividends forgiven or allowed to be amortized, and the method used to finance the repurchase; (2) the company's private capital, SBA financing, and capital impairment at the time of the stock repurchase; and (3) the company's investments in small businesses during the last five years and the value of the investment portfolio at the time of the company's most recent report to SBA

**Small Business:  
Monitoring of Subcontracting to Small Disadvantaged Businesses**

GAO/RCED-95-271, Sept. 22 (32 pages).

GAO reviewed federal efforts to monitor the progress of federal contractors in providing maximum subcontracting opportunities for small businesses owned and controlled by socially and economically disadvantaged persons. GAO's review included the Defense Logistics Agency, NASA, the Energy Department, and the General Services Administration. This report determines (1) how these agencies monitor contractors' progress in subcontracting to small disadvantaged businesses; (2) whether agencies have assessed monetary damages, known as liquidated damages, against contractors who did not make a good faith effort to subcontract to small disadvantaged businesses; and (3) what initiatives are being considered to change the monitoring process.

---

**Testimony**

Export Finance: The Small Business Administration's Role in Meeting Small Business Needs, by JayEtta Z. Hecker, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Procurement, Exports, and Business Opportunities and the Subcommittee on Government Programs, House Committee on Small Business.

GAO/T-GGD-95-235, Sept. 7 (18 pages).

This testimony discusses the Small Business Administration's (SBA) efforts to meet the export finance needs of smaller businesses while adjusting its operations to the possibility of reduced federal funding. GAO addresses concerns raised by exporters and the Trade Promotion and Coordinating Committee about the limited export financing available to small- and medium-sized businesses and how SBA has responded to this issue. GAO focuses on SBA's Export Working Capital Program, highlighting use of the program, key improvements made to it, projected and current uses of the program, and options to help minimize the negative effect that a reduction

in the credit subsidy appropriation has had on the goal of expanding exports.

Small Business Administration: Prohibited Practices and Inadequate Oversight in SBIC and SSBIC Programs, by Donald J. Wheeler, Deputy Director of the Office of Special Investigations, before the House Committee on Small Business. GAO/T-OSI-95-16, Sept. 28 (13 pages).

Since 1966, nearly 600 companies that participated in the Small Business Administration's (SBA) Small Business Investment Company (SBIC) and Specialized Small Business Investment Company (SSBIC) programs have failed and gone into liquidation. GAO found that the SBICs and SSBICs that it investigated engaged in improper management practices, including loans to associates, loans for prohibited real estate purchases, and loans to persons of questionable eligibility. Several of these regulatory violations should have been red flags of potential criminal misconduct. Two of the licensees GAO examined are now being investigated by U.S. Attorney's Offices. The investigation of a third resulted in the conviction of its president for soliciting and receiving cash payment in return for approving loans. In addition, the SBICs and SSBICs seldom took prompt corrective actions for regulatory violations. Moreover, SBA did not ensure that the violations were corrected. For the SBICs and SSBICs that GAO reviewed, some violations went unresolved for five years or longer. Estimated losses for three of the five companies that have gone into liquidation, receivership, or bankruptcy exceeded \$4 million.

Small Business Administration: Better Oversight of SBIC Programs Could Reduce Federal Losses, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the House Committee on Small Business. GAO/T-RCED-95-285, Sept. 28 (19 pages).

Although the Small Business Administration (SBA) has taken steps to reduce losses when firms fail, weaknesses in SBA's management and oversight of the Small Business Investment Company (SBIC) and Specialized Small Business Investment Company (SSBIC) programs continue to place SBA funds at risk. Corrective actions on examination findings are not pursued rigorously, financially troubled firms are not liquidated quickly, and overstated asset valuations are not detected promptly. GAO believes that these weaknesses result in losses to the government that could have been avoided. Also, because of today's tight budget climate, GAO questions whether the stock repurchase program is the best use of federal funds to help small businesses. Finally, although

GAO has found no evidence of attempts to restrict or influence examinations, GAO believes that the organizational placement of the Office of Examinations in the same division that is responsible for promoting the program leaves it vulnerable to questions about its independence—especially in light of the programs that GAO describes in this testimony.

U.S. Competitiveness: Assessing the Impact of Government Activities on Productivity and Living Standards, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Technology, House Committee on Science.  
GAO/T-GGD-95-196, Sept. 28 (13 pages).

Since World War II, the U.S. economy has been transformed by technological, political, and economic changes that have presented opportunities and challenges for businesses, workers, and the government. During the early part of this period, the United States experienced rapid economic growth, with major increases in real incomes and productivity. During the past 20 years, however, the United States has seen slower productivity growth, declines in real wages, and stagnating median family incomes. This testimony focuses on the impact of government activities on the economy and living standards. GAO discusses whether the goals of government policies and programs are consistent with the goals of improving productivity and living standards. GAO also discusses opportunities to change programs and policies to increase their cost-effectiveness, improve the ratio of benefits to costs, and increase their contributions to improving productivity and living standards.

---

## Civil Rights

### **Equal Employment Opportunity: DOL Contract Compliance Reviews Could Better Target Federal Contractors**

GAO/HEHS-95-177, Sept. 28 (22 pages).

The Labor Department's Office of Federal Contract Compliance Programs relies on compliance reviews to identify cases of employment discrimination by federal contractors. During these reviews, the Office compares the sex and racial composition of the contractor's workforce with that of the workforce of similar contractors in the area. The Office also reviews the contractor's employment policies and practices. In fiscal year 1994, the Office devoted about 80 percent of its enforcement hours to

compliance reviews, completing about 4,000 such reviews. The Office's financial and staff resources have declined in recent years, as have the number of compliance reviews it conducts. From fiscal year 1989 through fiscal year 1994, the number of completed compliance reviews fell by one-third. One practice the Office uses raises questions about its ability to effectively target potential violators. The Office receives information on the sex and racial groups that compose the contractor's workforce, yet the Office aggregates the data on all minority employees in a given company before completing its initial analysis. This practice could cause the Office to overlook companies that discriminate.

**Equal Employment Opportunity:  
Women and Minority Representation at Interior, Agriculture, Navy,  
and State**

GAO/GGD-95-211, Sept. 29 (114 pages).

The Departments of the Interior, Agriculture, Navy, and State have made progress in improving women and minority representation in their workforces. However, some groups are still underrepresented on an overall basis and are often underrepresented to a greater degree in key jobs. Also, although the numbers of women and minorities in key jobs increased across all white-collar grade and management levels, as of 1992 these groups continued to be less well represented in the higher grades at agencies. Furthermore, the four agencies' multiyear affirmative employment planning program analyses did not completely address each of the eight required program elements set forth by the Equal Employment Opportunity Commission's (EEOC) Management Directive 714. For example, none of the four agencies completely analyzed recruitment and hiring, promotion, or separation program elements, all of which are needed to identify the basic causes of underrepresentation. Finally, neither the Office of Personnel Management nor EEOC provided the oversight needed to ensure that the agencies' affirmative employment programs could effectively correct imbalances in their workforces.

---

**Economic  
Development**

**Rural Development:  
USDA's Approach to Funding Water and Sewer Projects**

GAO/RCED-95-258, Sept. 22 (38 pages).

Many of the 62 million people living in rural counties in the United States still lack access to clean drinking water and sanitary waste disposal facilities. Continuing a long-standing effort, the Agriculture Department's (USDA) Water and Waste Disposal Program funds water and sewer projects in rural communities. The program is now the major source of federal funds targeted to water and sewer projects in rural areas. In fiscal year 1994, USDA provided about \$1.3 billion for the program. This report provides information on (1) funding levels for the program and the projects supported, (2) the formula that USDA uses to allocate loan and grant funds among its state offices, and (3) the approach that USDA state and district offices use to distribute funds within states.

---

## Education

### **Adult Education: Measuring Program Results Has Been Challenging**

GAO/HEHS-95-153, Sept. 8 (44 pages).

According to a recent national survey, nearly 90 million adults in the United States have difficulty writing a letter explaining an error on a credit card bill, using a bus schedule, or calculating the difference between the regular and sale price of an item. To address these deficient skills, Congress passed the Adult Education Act, which funds state programs to help adults acquire the basic skills needed for literacy, benefit from job training, and continue their education at least through high school. The most common types of instruction funded under the act's largest program—the State Grant Program—are basic education (for adults functioning below the eighth grade level), secondary education, and English as a second language. Because many clients of federal employment training programs need instruction provided by the State Grant Program, coordination among these programs is essential. Although the State Grant Program funds programs that address the educational needs of millions of adults, it has had difficulty ensuring accountability for results because of a lack of clearly defined program objectives, questionable validity of adult student assessments, and poor student data.

### **School Finance: Trends in U.S. Education Spending**

GAO/HEHS-95-235, Sept. 15 (55 pages).

Recent trends in financing U.S. education show a leveling off of per pupil spending for education combined with increasing enrollment in public elementary and secondary schools. Meanwhile, the schools face an increasing number of poor children and others at high risk of school failure—students whose education costs are generally greater than average. Moreover, education's share of state budgets has declined, and federal funding for education faces tight fiscal constraints. If these trends continue, America may be less able to provide adequate educational services for many school-age children or make needed improvements in the educational system.

---

## Energy

### **Uranium Enrichment: Process to Privatize the U.S. Enrichment Corporation Needs to Be Strengthened**

GAO/RCED-95-245, Sept. 14 (70 pages).

The United States Enrichment Corporation, a wholly owned government corporation, was created in 1992 to take over the Energy Department's (DOE) uranium enrichment program. The corporation's privatization plan estimates that the corporation's stock could be sold for between \$1.5 and \$1.8 billion, less about \$100 million in transaction fees. The plan also assumes that the corporation will take with it up to \$600 million from its Treasury account. After privatization, the corporation could pay as much as \$1.1 billion annually in taxes. The return to the U.S. Treasury from privatizing the corporation could range from \$1.7 billion to \$2.2 billion. GAO believes, however, that the net present value analysis, on which the plan's projected sale price is partly based, needs revision. For example, it does not reflect current market conditions and recent administrative decisions. Further, the plan's analyses do not consider the value of excess inventory, which could be worth more than \$300 million. Because the corporation's sale has national security implications, involves billions of dollars, and may set a precedent for the contemplated sales of other federal assets, GAO urges that careful scrutiny be given to the privatization process. The privatization process must protect the taxpayers' interest as fully as possible. This protection can best be ensured by placing in the lead role a government official whose position will not be affected by the privatization and whose job will be clearly defined as protecting the taxpayers' interests. Moreover, safeguards may be needed to protect the taxpayers if the corporation is undervalued when sold. The privatization plan assumes the enactment of proposed legislation requiring that most of

---

the corporation's billions of dollars in liabilities remain with the federal government, and the plan's estimates are based on this assumption.

**Electric Vehicles:  
Efforts to Complete Advanced Battery Development Will Require  
More Time and Funding**

GAO/RCED-95-234, Aug. 17 (44 pages).

Electric vehicles would significantly improve air quality and save oil if they replaced large numbers of gasoline-powered vehicles. Electric vehicles will not become widely available, however, unless advanced batteries are successfully developed or some other technological breakthrough occurs to extend their range and lower their cost. In 1988, the three domestic automobile companies formed a partnership known as the United States Advanced Battery Consortium to jointly sponsor advanced battery research. The Energy Department and representatives of the electric utility industry have agreed to work with the consortium. GAO found that advanced batteries that would make electric vehicles fully competitive with gasoline-powered vehicles have not yet proven to be feasible, although DOE and consortium officials believe that continued research is justified. Progress has been made on developing mid-term batteries, but they will not make electric vehicles fully competitive with gasoline-powered vehicles. Thus, the energy security and environmental benefits of mid-term batteries appear limited. To reach the goal of developing a long-term advanced battery, consortium officials believe that about \$38 million in additional federal funding will be needed. DOE did not follow up on several lessons learned during this program that could benefit future cooperative agreements. Industry officials believe that steps, such as streamlining DOE's contract review procedures, could prevent such programs as the consortium from falling behind schedule.

---

## Financial Institutions

**Bank Regulatory Structure:  
France**

GAO/GGD-95-152, Aug. 31 (60 pages).

Proposals to consolidate U.S. bank regulatory agencies have raised questions about how other countries structure and carry out their various bank regulation and supervision and central bank activities. As part of a congressional request that GAO examine such activities in several

countries, this report provides information on France, where jurisdiction over the authorization, regulation, and supervision of banks is divided among three different, but interrelated, regulatory bodies called committees. GAO describes (1) the French bank regulatory and supervisory structure and its key participants; (2) how that structure functions, particularly with respect to bank authorization, regulation, and supervision; (3) how banks are examined in France; and (4) how the central bank handles other bank-related responsibilities.

**Banks' Securities Activities:  
Oversight Differs Depending on Activity and Regulator**

GAO/GGD-95-214, Sept. 21 (116 pages).

About 22 percent of U.S. banks offered securities brokerage services to their customers in 1994. These activities can provide diversification and additional income for banks, a more competitive securities industry, and added convenience for bank customers. However, because oversight of bank securities activities is split between bank and securities regulators, the potential exists for inconsistent regulation. GAO found that greater cooperation and coordination between regulators would help overcome this problem. This report (1) determines the extent to which banks provide securities brokerage services and how these services are regulated; (2) evaluates the completeness and results of the Federal Reserve's inspections of bank holding company subsidiaries that the agency authorizes to underwrite and deal in securities; and (3) evaluates the Federal Deposit Insurance Corporation's regulation of bank subsidiaries that can underwrite and deal in securities.

**Mutual Funds:  
Impact on Bank Deposits and Credit Availability**

GAO/GGD-95-230, Sept. 22 (18 pages).

From year-end 1989 through year-end 1994, the amount of money in mutual funds rose from \$994 billion to \$2,172 billion—a rise of nearly \$1.2 trillion. Although this increase included some price gains for mutual funds owning stocks and bonds, about 90 percent of the rise stemmed from net customer inflows. In contrast, bank deposits fell to \$3,462 billion by the end of 1994—\$89 billion less than at year-end 1989. Compelling evidence exists that some portion of the growth in mutual funds came at the expense of bank deposits during this period. The amount was probably

---

less than \$700 billion. The movement of money into mutual funds rather than bank deposits has been, at least in part, the result of historically low interest rates paid on bank deposits and could change as those rates increase relative to expected returns on mutual fund investments. However, this movement of money should have little impact on the total supply of loadable and investable funds because both banks and mutual funds generally lend or invest a large portion of the funds they receive. Available data do not show whether the different categories of borrowers—residential, consumer, and business, were affected by the shift of money from bank deposits to mutual funds. Nonetheless, there remains a possibility that the flow of deposits out of smaller banks could reduce the availability of finances for small businesses who depend on loans from such banks.

---

## Testimony

FHLBank System: Reforms Needed to Promote Its Safety, Soundness, and Effectiveness, by Thomas J. McCool, Associate Director for Financial Institutions and Markets Issues, before the House Committee on Banking and Financial Services. GAO/T-GGD-95-244, Sept. 27 (19 pages).

In December 1993, GAO issued a report (GAO/GGD-94-38) on reforming the Federal Home Loan Bank System. Since then, several bills have been introduced in Congress that incorporate recommendations GAO made in that report. This testimony updates GAO's conclusions and recommendations on the Federal Home Loan Bank and System reform and comments on suggestions that others have made since GAO's report was issued.

---

## Financial Management

### **Denver International Airport: Information on Selected Financial Issues**

GAO/AIMD-95-230, Sept. 20 (24 pages).

Under construction since September 1989, the \$4.8 billion Denver International Airport opened for business in February 1995. This report reviews (1) the airport's cost growth, (2) differences between the airport's financial consultant's report and audited financial statements relating to the Denver Airport System's bond debt, and (3) Securities and Exchange Commission jurisdiction over municipal bonds and the status and scope of its investigation of the airport.

---

**Financial Audit:  
Expenditures by Six Independent Counsels for the Six Months  
Ended March 31, 1995**

GAO/AIMD-95-233, Sept. 29 (29 pages).

This report presents the results of GAO's audit of expenditures reported by six independent counsels for the six months ended March 31, 1995. GAO found that the statements of expenditures for independent counsels Arlin M. Adams, Joseph E. diGenova, Robert B. Fiske, Jr., Donald C. Smaltz, Kenneth W. Starr, and Lawrence E. Walsh were reliable in all material respects. GAO also did limited tests of internal controls and discovered a material weakness in internal controls over reporting of expenditures. GAO found no reportable noncompliance with laws and regulations that it tested.

---

**Testimony**

Financial Management: Legislation to Improve Governmentwide Debt Collection Practices, by Jeffrey C. Steinhoff, Director of Planning and Reporting in the Accounting and Information Management Division, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD-95-235, Sept. 8 (26 pages).

This testimony focuses on (1) the proposed Debt Collection Improvement Act of 1995, whose overall thrust GAO agrees with, and (2) governmentwide debt collection improvements being considered by Congress. Federal agencies have long had problems in managing credit programs and collecting nontax debts. Billions of dollars is at stake. As of September 1994, the government reported \$241 billion in nontax receivables, mainly from direct loans and loans acquired as a result of claims paid on defaulted guaranteed loans. Of that amount, \$49 billion was reported to be delinquent. Moreover, the government was contingently liable for outstanding guaranteed loans totaling \$694 billion. It is essential that the federal government not only make and guarantee creditworthy loans but also put effective practices in place to collect amounts owed. In addition to being a good business practice, increasing debt collections could help reduce the deficit. GAO highlights the magnitude of the government's direct loans and guaranteed loans, the long-standing debt collection problems facing federal agencies, the necessity of having reliable information with which to manage credit programs, and the importance of leadership in having effective credit management and debt collection programs.

---

## Government Operations

### **Postal Service: Performing Remote Barcoding In-House Costs More Than Contracting Out**

GAO/GGD-95-143, Sept. 13 (40 pages).

Remote barcoding is a process in which barcodes are added to addresses on mail that cannot be read by the Postal Service's automated mail processing equipment. Images of these pieces of mail are sent over telephone lines to off-site locations where operators read and key in enough address information to allow the equipment to produce a barcode. The Service began remote barcoding in 1991 at two test sites run by contractors. Following a July 1991 decision to contract out all remote barcoding, the Service established 17 more contractor-operated remote keying sites to serve 25 postal facilities. This report compares the direct costs to the Service of contracting out for remote barcoding versus having the work done by postal employees. GAO also identifies various advantages and disadvantages of using postal workers rather than contractors for these services.

### **Federal Personnel Management: Views on Selected NPR Human Resource Recommendations**

GAO/GGD-95-221BR, Sept. 18 (50 pages).

The National Performance Review (NPR), the administration's major management reform initiative, seeks to make government work better and cost less. Legislation enacted in response to NPR recommendations calls for cutting nearly 273,000 federal jobs during fiscal years 1994-99. Most of this workforce reduction is expected to come from administrative functions, such as human resources. Some NPR recommendations involve delegating authority for personnel decisions from the Office of Personnel Management (OPM) to individual agencies. For example, NPR recommends that OPM abolish its central hiring registers and authorize agencies to establish their own recruitment and examining programs. Concerns have been raised about whether human resource offices in federal agencies could handle more responsibilities from OPM, especially when those offices may be facing staff cuts. Concerns have also been raised about additional flexibility leading to more violations of civil service laws. This report discusses (1) whether human resource officials favor the recommendations, (2) if these officials believe that they have the capacity to assume the additional responsibility envisioned by NPR, and (3) what

---

oversight is anticipated by OPM and agencies to ensure accountability for merit system principles.

**Public-Private Mix:  
Effectiveness and Performance of GSA's In-House and  
Contracted Services**

GAO/GGD-95-204, Sept. 29 (34 pages).

GAO reviewed the cost-effectiveness and performance of the General Services Administration's (GSA) real property management services, such as building maintenance and custodial services. The cost comparison, performance evaluation, and historical tracking data GAO reviewed for 54 activities indicated that GSA's decisions to retain activities in-house or contract them out were sound. Post-decision analyses and evaluations by GSA showed that the agency generally obtained services at a reasonable cost and at an acceptable level of performance and that it made relatively few reversals from its original decisions. GAO found no evidence of performance problems in the case files for a majority of the 54 sample activities. For 11 activities, however, GAO found serious problems, such as defaults or terminations for unsatisfactory performance. All but one of these activities involved maintenance services. In general, the files provided evidence of GSA's efforts to oversee the activities and take appropriate corrective action, including deductions from payments to contractors, when necessary. Information on private sector practices that GAO reviewed and that GSA gathered to support its reinvention efforts indicated that real estate organizations commonly used such approaches as performance measurement and benchmarking to manage and evaluate their operations and activities and to decide whether to contract them out. The approaches offer an opportunity for GSA to improve the oversight and evaluation of its services. Although GSA has begun to implement some performance measures, such as customer satisfaction surveys, the specific performance measures that it will use after its reorganization is completed are still being developed.

---

Testimony

Commerce Dismantlement: Observations on Proposed Implementation Mechanism, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Subcommittee on Government Management, Information and Technology, before the House Committee on Government Reform and Oversight. GAO/T-GGD-95-233, Sept. 6 (20 pages).

The proposed Department of Commerce Dismantling Act—H.R. 1756—is one of several proposals that would abolish or significantly reorganize the Commerce Department. Few, if any, precedents exist for dismantling a Cabinet-level, federal agency. However, six agency reorganizations under the Reorganization Act of 1977 and the Resolution Trust Corporation’s liquidation of savings and loans appear to share some characteristics with the proposed act’s Commerce Programs Resolution Agency, which would wind up the affairs of Commerce. This testimony focuses on the proposed Commerce Programs Resolution Agency and raises several issues that Congress may wish to consider as it continues to deliberate the act’s provisions.

---

## Health

### **Health Research and Misconduct: HHS’ Handling of Cases Is Appropriate, but Timeliness Remains a Concern**

GAO/HEHS-95-134, Aug. 3 (21 pages).

The federal government spends billions of dollars each year on research for cures for many chronic diseases and on preventative treatments. This money is channelled to researchers mainly through the National Institutes of Health and other offices within the Department of Health and Human Services’ (HHS) Public Health Service. Congressional concern that federal dollars have been misspent on inappropriate research was heightened by widely publicized reports of research fraud and other scientific misconduct, such as the recent detection of falsified data in federally funded breast cancer research. HHS’ Office of Research Integrity was established to foster confidence in federal health research programs in two ways: through direct investigations of misconduct allegations and through oversight of investigations done by extramural research institutions. GAO found that since its inception, the Office has improved its handling of scientific misconduct cases. By continuing to follow sound investigative procedures and striving to improve its handling of cases, the Office will increase public trust. However, the Office needs to overcome persistent delays in handling cases and shortcomings in its management systems if it is to effectively fulfill its mission.

**Medicare:  
Excessive Payments for Medical Supplies Continue  
Despite Improvements**

GAO/HEHS-95-171, Aug. 8 (44 pages).

In fiscal year 1994 alone, Medicare was billed more than \$6.8 billion for medical supplies. Congressional hearings and government studies have shown that Medicare has been extremely vulnerable to fraud and abuse in its payments for medical supplies, especially surgical dressings. In one case, Medicare paid more than \$15,000 in claims for a month's supply of surgical dressings for a single patient, apparently without reviewing the reasonableness of the claims before payment. Until recently, medical suppliers had considerable freedom in choosing the Medicare contractors that would process and pay their claims. Some exploited this freedom by "shopping" for contractors with the weakest controls and highest payment rates. This report discusses (1) the circumstances allowing payment for unusually high claims for surgical dressing and (2) the adequacy of Medicare's internal controls to prevent payments for excessive claims.

**Medicare Spending:  
Modern Management Strategies Needed to Curb Billions in  
Unnecessary Payments**

GAO/HEHS-95-210, Sept. 19 (24 pages).

Medicare's vulnerability to billions of dollars in unnecessary payments stems from a combination of factors. First, Medicare pays higher than market rates for some services and supplies. For example, Medicare pays more than the lowest suggested retail price for more than 40 types surgical dressings. Second, Medicare's anti-fraud-and-abuse controls do not prevent the unquestioned payment of claims for improbably high charges or manipulated billing codes. Third, Medicare's checks on the legitimacy of providers are too superficial to detect the potential for scams. Various health care management strategies help private payers avoid these problems, but Medicare generally does not use these strategies. The program's pricing methods and controls over utilization, consistent with health care financing and delivery 30 years ago, have not kept pace with major financing and delivery changes. GAO believes that a viable strategy to remedy the program's weaknesses would involve adapting the health care management approach of private payers to Medicare's public payer role. This strategy would include (1) more competitively developed payment

rates, (2) enhanced fraud and abuse detection efforts through modernized information systems, and (3) more rigorous criteria for granting authorization to bill the program.

**Medicaid:  
Tennessee's Program Broadens Coverage but Faces  
Uncertain Future**

GAO/HEHS-95-186, Sept. 1 (54 pages).

In early 1993, Tennessee predicted that increases in state Medicaid expenditures and the loss of tax revenues used to finance Medicaid would produce a financial crisis. To avert it, control Medicaid expenditures, and extend health insurance coverage to most state residents, Tennessee converted its Medicaid program into a managed-care health program—TennCare—to serve both Medicaid recipients and uninsured persons. GAO found that although TennCare met its objectives of providing health coverage to many uninsured persons while controlling costs, concerns remain with respect to access to quality care and managed care performance. In addition, the soundness of the methodology for determining and the resulting adequacy of the program's capitation rates have been questioned. This report discusses (1) TennCare's basic design and objectives, (2) the degree to which the program is meeting these objectives, and (3) the experiences of TennCare's insurers and medical providers and their implications for TennCare's future.

**Health Care Shortage Areas:  
Designations Not a Useful Tool for Directing Resources to  
the Underserved**

GAO/HEHS-95-200, Sept. 8 (55 pages).

Many Americans live in places where barriers exist to obtaining basic health care. These areas range from isolated rural locations to inner-city neighborhoods. In fiscal year 1994, the federal government spent about \$1 billion on programs to overcome access problems in such locales. To be effective, these programs need a sound method of identifying the type of access problems that exist and focusing services on the people who need them. The Department of Health and Human Services uses two main systems to identify such sites. One designates Health Professional Shortage Areas, the other Medically Underserved Areas. More than half of all U.S. counties fall into these two categories. GAO reviewed the two

systems to determine (1) how well they identify areas with primary care shortages, (2) how well they help target federal funding to benefit those who are underserved, and (3) whether they are likely to be improved under proposals to combine them.

**Cancer Drug Research:  
Contrary to Allegation, NIH Hydrazine Sulfate Studies Were  
Not Flawed**

GAO/HEHS-95-141, Sept. 13 (24 pages).

Despite advances in treating cancer, some forms of the disease remain resistant to all therapies and are often fatal. Because of findings suggesting that hydrazine sulfate may improve survival for some patients with advanced cancers, the National Cancer Institute sponsored three studies of the drug. All three studies failed to show any benefit from it. The developer of hydrazine therapy alleged that the National Cancer Institute compromised its studies by allowing study patients to take tranquilizers, barbiturates, and alcohol, which he contends are incompatible with hydrazine sulfate. GAO confirmed that all three trials allowed the use of tranquilizers to varying degrees and one trial allowed the use of barbiturates and alcohol. Retrospective analyses, however, found no evidence that the use of these allegedly incompatible agents adversely affected the results of the clinical trials. Although GAO's work did not support the allegation that the studies were flawed, the National Cancer Institute should have ensured that complete and accurate records were kept on concurrent medications and possible alcohol use. Furthermore, the National Cancer Institute's investigators did not analyze this issue until recently, and the published results did not accurately describe the use of tranquilizers during one of these clinical trials.

**Health Insurance Portability:  
Reform Could Ensure Continued Coverage for up to 25  
Million Americans**

GAO/HEHS-95-257, Sept. 19 (18 pages).

Although federal and state laws have improved the portability of health insurance, an individual's health care coverage could still be reduced when changing jobs. Between 1990 and 1994, 40 states enacted small group insurance regulations that include portability standards, but the federal Employee Retirement Income Security Act of 1974 prevents states from

applying these standards to the health plans of employers who self-fund. As a result, Members of Congress have proposed broader national portability standards. GAO estimates that as many as 21 million Americans each year would benefit from federal legislation to ensure that workers who change jobs would not be subject to new health insurance plans that impose waiting periods or exclude “preexisting conditions.” In addition, as many as 4 million Americans who at some point have been unwilling to leave their jobs because they feared losing their health care coverage would benefit from national portability standards. Such a change, however, could possibly boost premiums, according to insurers.

**Durable Medical Equipment:  
Regional Carriers’ Coverage Criteria Are Consistent With  
Medicare Law**

GAO/HEHS-95-185, Sept. 19 (14 pages).

In November 1993, the Health Care Financing Administration began consolidating the work of processing and paying claims for durable medical equipment, prostheses, orthoses, and supplies at four regional carriers. Claims for such items had previously been processed and paid by local Medicare carriers. As part of the transition to regional processing, the four regional carriers developed coverage criteria for the items. GAO found that the final criteria adopted by the regional carriers are consistent with Medicare’s policies on national coverage and the law. GAO does not believe that the criteria have impeded access by disabled beneficiaries to needed durable medical equipment and other items. Also, the regional carriers approved a similar percentage of service for durable medical equipment and other items for disabled and aged Medicare beneficiaries in 1994, so there was no significant difference in access to durable medical equipment and other items between the two groups of beneficiaries.

**Medical Liability:  
Impact on Hospital and Physician Costs Extends Beyond Insurance**

GAO/AIMD-95-169, Sept. 29 (25 pages).

As Congress considers proposals to reduce the tort liability in the health care industry, little consensus exists on the extent to which medical liability-related spending boosts hospital and physician expenditures, a central issue in the debate over health care reform. GAO found that hospitals and physicians incur a variety of medical liability costs. Studies

attempting to measure such costs have focused on the cost of purchased malpractice insurance, which is readily quantifiable because of state reporting requirements. Other hospital and physician liability costs, however, are impractical and methodologically difficult to measure with any precision. Such costs include defensive medicine, liability-related administrative expenses, and medical device and drug company's liability expenses that are passed on to hospitals and doctors in the price of products. However, a broader understanding of such costs and their implications is useful to the ongoing medical liability reform debate.

**Health Care:  
Employers and Individual Consumers Want Additional Information  
on Quality**

GAO/HEHS-95-201, Sept. 29 (24 pages).

Both employers who purchase health care and individual consumers have demanded more information on quality. In response to these demands, some states, large employers, and health plans have been publishing performance reports describing the quality of health care providers. These "report cards" provide such information as the frequency with which preventive services are provided and the degree of success in treating certain diseases. Data comparing health care plans and providers helped the consumers GAO surveyed make their health care purchasing decisions. However, performance reports have yet to achieve their fullest potential. Consumers said that they needed more reliable and valid data, more readily available and standardized information, and more emphasis on outcome measures. Meeting the information needs of individual consumers continues to lag behind meeting employer needs. Attention must be paid to ensuring that individual consumers have access to health care data. Although employers themselves have begun to cooperate with one another, few of those GAO interviewed are making complete health care data available to help individual consumers make purchasing decisions. Relevant stakeholders have not yet addressed the issues of disseminating performance data to individual consumers so that they can make responsive, informed decisions about their health care coverage.

---

## Housing

---

### Testimony

Public Housing: Status of HUD's Takeover of the Chicago Housing Authority, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-RCED-95-275, Sept. 5 (10 pages).

This testimony focuses on the Department of Housing and Urban Development's (HUD) takeover of the Chicago Housing Authority (CHA) in May 1995. The HUD takeover was prompted by the poor physical condition of the CHA's extensive housing stock and the troubled management of the housing authority. GAO concludes that HUD officials had little choice in taking over CHA. Even if the progress that HUD has made so far in establishing CHA continues, HUD will not solve CHA's problems in the near future. Because of the magnitude and persistence of the problems, improvements at the authority will take years to achieve and short-term gains will be difficult. Thus, it is important that HUD officials not raise the expectations of tenants or the public for immediate solutions. Although HUD has set and already met some short-term goals, preparing a comprehensive long-term recovery plan is crucial to ensuring sustained success.

---

## Income Security

### **Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used**

GAO/HEHS-95-116, Aug. 31 (32 pages).

Some ineligible applicants who cannot speak English have obtained Social Security Income (SSI) benefits illegally by using middlemen. These middlemen, who provide translation services, have allegedly coached SSI claimants on how to appear mentally disabled, have used dishonest health care providers to submit false medical evidence for those seeking benefits, and have provided false information on claimants' medical and family histories. By 1990, the Social Security Administration (SSA) had become aware of the middleman problem. For example, a Washington state middleman arrested for fraud had helped at least 240 immigrants obtain \$7 million in SSI benefits by coaching them on which medical symptoms to

---

claim and providing false information on their medical conditions and family histories. This report describes factors that contribute to the SSI program's vulnerability to fraudulent applications and describes federal and state initiatives to combat such fraudulent activities.

**Private Pension Plans:  
Efforts to Encourage Infrastructure Investment**

GAO/HEHS-95-173, Sept. 8 (42 pages).

The federal government invests billions of dollars each year in the nation's infrastructure—highways, mass transit, rail, aviation, water resources, and wastewater treatment facilities. However, concern about the state of this infrastructure and the need for additional expenditures in the face of federal budget deficit has led to proposals encouraging the nation's pension plans to invest in infrastructure projects. Congress passed legislation in 1991 creating a commission to study ways to promote infrastructure investment, particularly by pension plans. The commission issued recommendations in 1993. This report (1) identifies the role that current federal policies play in providing incentives for private pension plans to invest in infrastructure projects and (2) analyzes the commission's proposals on pension plan investment to determine how pension plans might respond.

---

**Information  
Management**

**Department of Energy:  
Poor Management of Nuclear Materials Tracking System Makes  
Success Unlikely**

GAO/AIMD-95-165, Aug. 3 (15 pages).

The Energy Department (DOE) is attempting to develop a new tracking system to replace its current system for monitoring U.S. imports and exports of nuclear materials. DOE plans to discontinue the existing system and begin operating the replacement system in September 1995. However, DOE's replacement system is being developed in an undisciplined, poorly controlled manner that makes success unlikely. Planning was inadequate and basic system development practices were not followed. The upshot is that DOE has no guarantee that the replacement system will produce accurate and timely reports before it accepts the system and pays the subcontractor. DOE's disregard for basic system development practices to ensure the accuracy and dependability of its nuclear tracking system is

inconsistent with the importance of the Nuclear Materials Management and Safeguards System, which produces the United States' officials records for tracking nuclear materials. It is not in DOE's best interests, therefore, to disconnect the existing system and replace it with an untested, undocumented new system. The history of software development is littered with systems that failed under similar circumstances.

**Hazardous Waste:  
Benefits of EPA's Information System Are Limited**

GAO/AIMD-95-167, Aug. 22 (17 pages).

In 1991, the Environmental Protection Agency (EPA) began operating its Resource Conservation and Recovery Information System to help the federal government and the states better manage their hazardous waste cleanup programs. GAO found that the system has not met three of its main objectives. Although the system gives the states their own individual databases, data entry and retrieval are so difficult that most users do not rely on it. Furthermore, the data in the system are unreliable, forcing users to manually verify the information. The system's shortcomings have not significantly affected implementation of the Resource Conservation and Recovery Act because the system is not relied on as a key tool for managing the program. Instead, users depend on systems that they have independently developed as well as other work-arounds that have been created. Recognizing that the system is not meeting the needs of federal and state users, EPA recently began reassessing information needs and system support for the Resource Conservation and Recovery Act program.

**Superfund:  
System Enhancements Could Improve the Efficiency of  
Cost Recovery**

GAO/AIMD-95-177, Aug. 25 (22 pages).

Under the Superfund program, the Environmental Protection Agency (EPA) is responsible for recovering from responsible parties billions of dollars in costs associated with cleaning up the worst hazardous waste sites. In 1992 and again in 1995, GAO cited Superfund as a "high-risk" government program and noted that EPA lacked the information needed to adequately manage and support its cost recovery efforts, which are supported by several financial and records management systems. Because of limitations

in these systems, cost recovery staff cannot fully depend on them to provide all the information needed for cost recovery. Instead, staff must do excessive manual searches and reconciliations to ensure that the information supporting cost recovery cases is accurate, reliable, and complete. EPA is aware of these limitations and has taken steps to address them. For example, planned modifications to the financial systems should produce more detailed cost data, thus reducing manual reconciliation efforts. GAO notes additional measures that EPA could take to ensure that its systems provide the best possible support for its cost recovery efforts.

**USDA Telecommunications:  
Better Management and Network Planning Could Save Millions**

GAO/AIMD-95-203, Sept. 22 (53 pages).

From telephone calls to video conferencing to providing nationwide customer access to information, the Agriculture Department (USDA) uses a wide array of telecommunications technology. GAO found that USDA is not cost-effectively managing its annual \$100 million telecommunications investment. USDA agencies waste millions of dollars each year by paying for (1) unnecessary telecommunications services, (2) leased equipment that goes unused and services billed but never provided, and (3) commercial carrier services that cost more than three times what they would under the FTS 2000 program. These problems exist because USDA's Office of Information Resources Management has not fulfilled its responsibility to manage and oversee USDA's telecommunications and ensure that resources are properly used, costs are controlled, and federal requirements are met. USDA is also not cost-effectively planning its telecommunications networks to ensure that they can support the agency's information sharing needs for the 21st century. Instead, the Office of Information Resources Management continues to approve the acquisition and development of costly new agency networks that overlap and do not support interagency sharing.

**VA Health Care Delivery:  
Top Management Leadership Critical to Success of Decision  
Support System**

GAO/AIMD-95-182, Sept. 29 (22 pages).

One of the main missions of the Department of Veterans Affairs (VA) is to provide health care to veterans. VA's Veterans Health Administration (VHA)

runs the largest health care system in the nation, with an annual budget of more than \$16 billion. Despite its size and complexity, however, VHA lacks detailed, reliable information on the operating costs of its 172 hospitals. Consequently, as GAO reported in December 1992 (GAO/OCG-93-4TR), VHA could not determine which of its facilities were working well and which procedures were cost-effective. This report assesses VA's efforts to develop a medical decision support system, a computer system that has provided hospitals in the private sector with improved data on patterns of patient care and the cost of providing health care services. As of July 1995, VA had started implementing its decision support system at 38 hospitals. GAO examines (1) the benefits that such a system can provide VA, (2) whether VA is pursuing the comprehensive business strategy needed to achieve these benefits, and (3) whether VA is establishing an adequate information infrastructure for the system.

**USDA Financial Systems:  
Additional Actions Needed to Resolve Major Problems**

GAO/AIMD-95-222, Sept. 29 (41 pages).

To manage its \$146 billion in assets and to account for \$75 billion in expenditures for fiscal year 1994, the Agriculture Department (USDA) used 115 separate financial management systems that performed overlapping and similar functions. These systems are not integrated, contain inconsistent and inaccurate data, and are plagued with internal control weaknesses. To address these problems and carry out its financial management system responsibilities under the Chief Financial Officers Act of 1990, USDA began implementing a project in 1993 known as the Financial Information Systems Vision and Strategy. This report discusses whether the project will (1) resolve USDA's major financial system weaknesses and (2) consolidate USDA's separate financial and mixed systems that perform similar functions, as well as reengineer USDA's financial processes.

---

## International Affairs

**Foreign Assistance:  
Assessment of Selected USAID Projects in Russia**

GAO/NSIAD-95-156, Aug. 3 (99 pages).

The nearly \$540 million that the U.S. Agency for International Development (USAID) has spent on economic and political reform projects in the former Soviet Union since 1990 has yielded mixed results.

Successful projects, such as those involving coal industry restructuring or housing sector reform, generally had strong backing from the Russian government; used U.S. contractors with a long-term presence in Russia; and had a specific, sustainable objective. USAID did not adequately manage some projects it funded. The devolution of management and monitoring responsibility from USAID's Washington office to its Moscow office delayed decision-making and created confusion among contractors. Furthermore, USAID's management information systems were inadequate, and it did not adequately monitor or coordinate some projects. USAID has taken steps to overcome these problems.

**Peacekeeping:  
Assessment of U.S. Participation in the Multinational Force  
and Observers**

GAO/NSIAD-95-113, Aug. 15 (66 pages).

The recent signing of peace accords between Israel and the Palestinian Liberation Organization, Israel and Jordan, and the possibility of similar agreements between Israel and Syria and Lebanon have heightened interest in the Multinational Force and Observers (MFO), which has monitored the current peace treaty between Egypt and Israel since 1982. In light of these regional developments and the significant U.S. contribution to the MFO since its inception, this report provides information on (1) U.S. contributions to and the total cost of the MFO, including measures taken to reduce costs; (2) the level of U.S. participation and its operational impacts; (3) the State Department's oversight of U.S. participation; and (4) the views of the State Department and other relevant parties on MFO's performance and the lessons learned.

**U.S. Department of Agriculture:  
Foreign Agricultural Service Could Benefit From Better  
Strategic Planning**

GAO/GGD-95-225, Sept. 28 (56 pages).

International agricultural trade has become highly competitive, and the United States increasingly confronts competitors using sophisticated marketing practices. The Foreign Agricultural Service, part of the Agriculture Department (USDA), oversees a variety of export promotion programs aimed at boosting U.S. exports of agricultural commodities. The Service's mission statement calls for it to gather and report information

about agricultural commodities in foreign countries, improve access to foreign markets, and promote greater foreign consumption of U.S. agricultural commodities. This report examines whether the Service has used its resources in the most effective way to accomplish its mission. GAO reviews the Service's (1) strategic planning, specifically whether USDA's long-term agricultural trade strategy contributed to effective strategic planning by the Service; (2) foreign service, particularly whether its operations were planned and managed to use its available resources effectively; and (3) commodity reporting, specifically the extent to which the Service's commodity reporting was an effective use of resources.

**Multilateral Development Banks:  
U.S. Firms' Market Share and Federal Efforts to Help U.S. Firms**

GAO/GGD-95-222, Sept. 28 (40 pages).

According to the Treasury and Commerce Departments, multilateral development banks, such as the World Bank, provide about \$45 billion annually in loan commitments that generate business opportunities for U.S. firms. The multilateral development banks' procurement process is designed to provide fair and equal opportunity for prospective bidders, taking into account economy and efficiency. Yet some U.S. businesses have been concerned about how the process is implemented and what the U.S. government is doing to promote U.S. exports through procurements funded by these banks. This report (1) identifies and compares the multilateral development bank market share held by U.S. firms and their major competitors, (2) describes obstacles that U.S. businesses may face in competing for bank projects and the services that the U.S. government provides to help U.S. businesses overcome these barriers, and (3) describes the Treasury Department's efforts to help ensure fair and open procurements for projects that the banks finance.

**Weapons of Mass Destruction:  
DOD Reporting on Cooperative Threat Reduction Assistance Can Be Improved**

GAO/NSIAD-95-191, Sept. 29 (20 pages).

In 1991, Congress authorized the Defense Department to help the former Soviet Union (1) destroy nuclear, chemical, and other weapons of mass destruction (including strategic missiles); (2) transport, store, and safeguard such weapons in connection with their destruction; and

(3) prevent the proliferation of such weapons. Under the Cooperative Threat Reduction program, DOD manages various projects to help Belarus, Kazakhstan, Russia, and Ukraine—the four republics that inherited the former Soviet Union’s weapons of mass destruction. This report examines whether DOD had (1) made progress in auditing and examining program aid; (2) listed its planned audit and examination efforts to be carried out during fiscal year 1995; (3) compiled a list describing the current location and condition of program assistance; and (4) provided a basis for determining whether the assistance was being used for the purposes intended.

**Foreign Direct Investment:  
Review of Commerce Department Reports and  
Data-Sharing Activities**

GAO/GGD-95-242, Sept. 29 (40 pages).

This is GAO’s final report on the Secretary of Commerce’s first three annual reports on foreign direct investment in the United States. GAO (1) assesses the extent to which Commerce’s second and third reports—issued in 1993 and 1995—fulfilled their requirements under the law and responded to recommendations made in a 1992 GAO report; (2) reviews the process by which federal agencies collect data on foreign direct investment; (3) reviews the status and processes of the data exchanges, or links, initiated by the Financial Data Improvements Act of 1990 between the Commerce Department’s Bureau of Economic Analysis and its Bureau of the Census and between the Bureau of Economic Analysis and the Labor Department’s Bureau of Labor Statistics; and (4) evaluates the extent to which implementation of the act has improved public information on foreign direct investment in the United States.

---

**Testimony**

Government Reorganization: Observations About Creating a U.S. Trade Administration, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on International Relations. GAO/T-GGD-95-234, Sept. 6 (32 pages).

This testimony focuses on several broad trade issues. GAO discusses (1) the basis for the federal role in international trade, (2) the various roles that the U.S. Trade Representative and the Commerce Department play in international trade activities, and (3) the interagency mechanisms that

---

help integrate federal trade activities. GAO also discusses the current proposal in H.R. 2121, "The Trade Reorganization Act of 1995," to create a U.S. Trade Administration by combining the U.S. Trade Representative, various offices in the Commerce Department, and the U.S. Trade and Development Agency.

Foreign Affairs: Scope of Our Review of Palestine Liberation Organization Finances, by Joseph E. Kelley, Director of International Affairs Issues, before the House Committee on International Relations. GAO/T-NSIAD-95-227, Sept. 20 (eight pages).

After the government of Israel and the Palestine Liberation Organization (PLO) signed a Declaration of Principles in September 1993, the United States agreed to help fund long-term development projects in the West Bank and Gaza Strip. GAO issued a classified report dealing with the PLO's finances. Specifically, GAO (1) assessed the PLO's ability to finance the operations of the Palestinian Authority—the organization established to implement self-rule, (2) ascertained whether the international donors effectively analyzed the need to help fund the Palestinian Authority's operating and start-up expenses, and (3) determined whether appropriate controls had been implemented to ensure that donor funds would be adequately accounted for. This testimony discusses the audit work supporting the classified report, the principal cooperation issues GAO confronted during this assignment, and GAO's efforts to have its report declassified in response to requests from Members of Congress.

---

## Justice and Law Enforcement

### **The Federal Judiciary: Observations on Selected Issues**

GAO/GGD-95-236BR, Sept. 18 (106 pages).

This briefing report reviews operations of the federal judiciary. GAO provides information on (1) the appropriations, the expenditures, and the functions of the Administrative Office of the U.S. Courts and Federal Judicial Center, including any substantial duplication in their functions and services; (2) the costs of the Federal Judicial Center education and training programs, including the potential savings that could result from eliminating all such programs except for the training and the education of new district judges; (3) the annual number and cost of meetings of the Judicial Conference and its committees, circuit judicial conferences, and circuit judicial councils; and (4) the cost, by circuit, of any circuit task

---

forces on gender, racial, and ethnic bias, and the process used to select any executive directors for the task forces. GAO also assesses the methodological soundness of circuit task force reports that were at least in final draft.

**Electronic Benefits Transfer:  
Use of Biometrics to Deter Fraud in the Nationwide EBT Program**

GAO/OSI-95-20, Sept. 29 (32 pages).

The National Performance Review recommended in 1993 that the federal government consider paying individuals by using electronic rather than paper means. In 1994, a task force composed of representatives from various federal agencies estimated that more than \$110 billion in annual cash benefits and food assistance could be delivered with electronic benefits transfer (EBT), including food stamps, social security payments, and federal pensions. EBT is already providing the Agriculture Department with data that can be used to target stores trafficking in food stamps. However, EBT alone has not effectively deterred fraud in the delivery of food stamp benefits. An EBT program without the enhanced security of biometric verification—an automated method to measure a physical characteristic or personal trait—raises a genuine concern about the potential for higher program costs and losses. GAO believes that fingerprint verification is the biometric option that offers the greater potential for reducing fraud in EBT systems. Although development of an EBT system with biometric safeguards would be more expensive, largely because of the need to purchase hardware and software, and would take longer to implement nationwide, such system enhancement is needed to ensure that the future system is practical and not beset by fraud.

---

**National Defense**

**Military Bases:  
Case Studies on Selected Bases Closed in 1988 and 1991**

GAO/NSIAD-95-139, Aug. 15 (120 pages).

As part of an earlier review of 37 bases closed by the first two base realignment and closure rounds, GAO reported in late 1994 (GAO/NSIAD-95-3) on expected revenues from land sales, resources requested from the federal government, and issues delaying reuse planning. GAO collected more information on reuse planning and implementation at the 37 bases. This report provides updated summaries on the planned disposal

and reuse of properties, successful conversions, problems that delayed planning and implementation, and assistance provided to communities. GAO also profiles each of the 37 installations.

**Inventory Management:  
Purchasing Parts From Contractor-Operated Parts Stores and  
Commercial Sources**

GAO/NSIAD-95-176, Sept. 11 (15 pages).

In comparing costs for vehicle parts purchased from the Air Force Contractors Operated Parts Stores with those purchased directly from commercial suppliers, GAO found that the most cost-effective way to buy parts to repair vehicles can vary from base to base. Factors, such as the types of vehicles in a fleet, the volume of business being done, vendor availability, and vendor payment preferences, differ among bases and can affect the price of parts. Also, mission-related factors, such as deployments, can affect the availability of personnel needed to manage a commercial-source parts procurement operation. Given these differences, installation commanders are in the best position to decide which approach for acquiring parts will best meet their needs. GAO also found that controlling personnel costs is key to determining whether savings can be achieved in a commercial-source procurement system. Office of Management and Budget Circular A-76 does not apply to the Air Force's vehicle repair parts support decision. The establishment of a commercial-source procurement system is simply an alternative way of doing business. The Air Force is not replacing the stores with an identical in-house service. As a result, no study is required.

**Combat Identification Systems:  
Changes Needed in Management Plans and Structure**

GAO/NSIAD-95-153, Sept. 14 (35 pages).

The Army and the Navy have failed to fully consider how to integrate their independently developed systems to identify friend from foe on the battlefield and thus reduce fratricide incidents. Moreover, these systems, which could cost more than \$4 billion, are limited to identifying "friends" equipped with compatible identification systems. GAO recently learned that the Army plans to acquire more near-term millimeter wave cooperative identification systems without analyzing whether the system can be integrated into the mid- and long-term solutions—as GAO recommended in

an October 1993 report (GAO/NSIAD-94-19). The Army plans to acquire another 115 near-term systems at a cost of nearly \$24 million. The Defense Department and the Army are concerned about the affordability and cost-effectiveness of the near-term system, and it may never be fully fielded for these reasons. The Army's plan risks wasting millions of dollars on a system that may never be procured.

**Unmanned Aerial Vehicles:  
Maneuver System Schedule Includes Unnecessary Risk**

GAO/NSIAD-95-161, Sept. 15 (15 pages).

The cost of the Defense Department's unmanned aerial vehicle systems, which are designed to fly over enemy territory and transmit images back to ground stations, is expected to reach \$4.2 billion. Past unmanned aerial vehicle acquisition programs have been marked by premature entry into production that resulted in extensive and costly system redesigns in an attempt to achieve acceptable system performance. Nevertheless, the Joint Tactical Unmanned Aerial Vehicle Project Office plans to begin production of the Maneuver system, a variant of the Hunter, without adequate assurances that it can meet operational performance requirements. As a result, the Pentagon will again risk acquiring an unsatisfactory system.

**1996 Defense Budget:  
Potential Reductions, Rescissions, and Restrictions in RDT&E  
and Procurement**

GAO/NSIAD-95-218BR, Sept. 15 (105 pages).

GAO reviewed the Defense Department's (DOD) fiscal year 1996 budget request and prior years' appropriations for research, development, test, and evaluation and procurement programs. Because of schedule delays, changes in program requirements, and issues that emerged after the budget request was developed, GAO identified opportunities to reduce the funding levels for fiscal year 1996 by about \$956 million and rescind about \$265 million from prior years' appropriations. GAO also found about \$934 million that Congress can restrict from obligation until specified criteria are met to minimize risks in acquisition programs. Of these totals, GAO identified potential budget cuts of nearly \$103 million to the fiscal year 1996 research, development, test, and evaluation budget request and potential rescissions of about \$15 million to prior years' appropriations. GAO also identified about \$27 million in obligational authority that can be

restricted. GAO identified potential budget reductions of about \$854 million to the fiscal year 1996 procurement budget request, potential rescissions of about \$250 million to prior years' appropriations, and about \$907 million in potential restrictions. GAO also found nearly \$98 million in obligational authority expiring on September 30, 1995, including about \$77 million in fiscal year 1994 research, development, test, and evaluation funds and about \$19 million in fiscal year 1993 procurement funds.

**Future Years Defense Program:  
1996 Program Is Considerably Different From the 1995 Program**

GAO/NSIAD-95-213, Sept. 15 (24 pages).

This report compares the Defense Department's (DOD) fiscal year 1996 Future Years Defense Program with the program for fiscal year 1995. Specifically, GAO discusses (1) what major program changes were made from 1995 to 1996, (2) what the implications of these changes are for the future, and (3) whether the 1996 program complies with statutory requirements.

**DOD Infrastructure:  
DOD's Planned Finance and Accounting Structure Is Not  
Well Justified**

GAO/NSIAD-95-127, Sept. 18 (32 pages).

The Defense Department's (DOD) consolidation of more than 300 defense accounting offices did not adequately consider the functions and proper staffing levels of the new offices and gave undue weight to the reuse of closed military bases. GAO concludes that DOD's plan, which is expected to cut 23,000 finance and accounting jobs, stressed short-term cost savings at the expense of customer service and improved business practices. This report assesses (1) the process that DOD used to identify the appropriate size and location for its finance and accounting centers and operating locations, (2) the consolidation's potential impact on customer service, and (3) the extent to which DOD's consolidation plan reflects cutting-edge business practices.

**DOD Dependents Schools:  
Enrollment Categories, Numbers, and Locations**

GAO/HEHS-95-149, Sept. 18 (46 pages).

For school year 1994-95, the Defense Department's (DOD) dependents schools system enrolled more than 88,000 students in 191 schools worldwide and had a budget of \$860 million. Most students were DOD command-sponsored, military or civilian dependents for whom DOD must provide a free public education overseas. About 5,500 students were enrolled as space-available students—that is, dependents who were not command sponsored and thus not eligible for space-required enrollment, but were allowed to enroll if space was available. About 3,000 of these space-available children paid tuition, while the other 2,500 attended tuition free. This report (1) reviews legislation that establishes eligibility and authorizes funding for student to enroll in DOD's dependents schools system as space-available, (2) identifies the number of students enrolled as space-available and their locations, and (3) explains the circumstances surrounding high space-available enrollments in some schools.

**Unexploded Ordnance:  
A Coordinated Approach to Detection and Clearance Is Needed**

GAO/NSIAD-95-197, Sept. 20 (29 pages).

Inexpensive improvements in mine design; the unique challenges posed by clearing large areas, such as farmland, in Third World countries; and the difficulty of controlling the proliferation of antipersonnel landmines have thwarted U.S. technological efforts to detect and clear unexploded ordnance, which kills an estimated 30,000 people around the world each year. Many of the victims are civilians, including children, who are killed years after hostilities have ceased. This report reviews the extent to which technology offers solutions to worldwide landmine and other unexploded ordnance problems. GAO (1) reviews the extent to which the Defense Department's and other agency's requirements and associated research and development could be applied to clearance problems elsewhere in the world, (2) assesses the ability of existing or foreseeable technologies to detect and clear landmines and other unexploded ordnance, and (3) identifies barriers that could impeded the progress or output of this technology.

**1996 DOD Budget:  
Potential Reductions to Operation and Maintenance Programs**

GAO/NSIAD-95-200BR, Sept. 26 (28 pages).

GAO identified potential reductions of \$4.9 billion to the fiscal year 1996 operation and maintenance budget requests, which totaled \$70.3 billion, from the military services and the Defense Department (DOD). In addition, GAO notes that funding for the Partnership for Peace program, which is designed to encourage joint training and military exercises with NATO forces and to promote greater partner interoperability, is divided between the DOD and State Department budgets. As a result, no one congressional committee has complete oversight to ensure that the program's efforts are effective and not duplicative. The fiscal year 1996 operation and maintenance budget request from DOD earmarks \$40 million for program expenses, including an information management system, regional airspace initiative, defense resource management program, and unit exchanges. Meanwhile, the State Department is requesting \$60 million for this same program.

**Military Physicians:  
DOD's Medical School and Scholarship Program**

GAO/HEHS-95-244, Sept. 29 (93 pages).

Critics of the Uniformed Service University of the Health Sciences—the Defense Department's (DOD) medical school in Bethesda, Maryland—have been trying to close the University ever since it was established 20 years ago. They argue that DOD's need for doctors can be met at a lower cost by using physicians educated at civilian medical schools. GAO found that when all federal costs are factored in, the University nearly equals the cost of the regular scholarship program and is lower than the cost of the deferred scholarship program. This difference arises because University graduates are expected to serve much longer in the military and the University receives much less non-DOD federal support than do civilian medical schools. Medical education at the University compares well with that of other U.S. medical schools. DOD retention data suggest that University graduates are likely to provide DOD with a cadre of experienced physician career officers. Scholarship program doctors, who comprise the majority of new physicians being hired, stay in the military for shorter periods, on average, than do University graduates. However, given changes in operational scenarios and DOD's approach to delivering peacetime health care, the military's physician needs and the means to hire and retain these doctors should be reassessed. For example, alternative strategies, such as an additional scholarship option with a longer service obligation, could be considered as a potentially less expensive way to increase the length of military physicians' careers.

---

**Aircraft Requirements:  
Air Force and Navy Need to Establish Realistic Criteria for  
Backup Aircraft**

GAO/NSIAD-95-180, Sept. 29 (30 pages).

Since 1977, many audits by the Defense Department (DOD) and GAO have pointed out that the military services overstate the number of backup fighter and attack aircraft needed for training, test, and evaluation, and to replace combat aircraft that are lost through attrition or are being repaired. At the end of fiscal year 1993, the Air Force and the Navy/Marine Corps maintained nearly 3,000 fighter and attack aircraft and about 1,600 similar, equally capable backup planes. In response to congressional concerns that backup forces are not efficiently managed and that this had adversely affected funds available for combat forces, this report identifies (1) trends in the number of backup aircraft maintained by the services, (2) steps that the military has taken in response to recommendations made by GAO and others to validate backup aircraft requirements, and (3) opportunities to remove unneeded backup aircraft from the force to minimize the cost of operating and maintaining combat aircraft.

---

**Natural Resources**

**National Parks:  
Difficult Choices Need to Be Made About the Future of the Parks**

GAO/RCED-95-238, Aug. 30 (52 pages).

GAO concludes that there is cause for concern about the health of national parks. Visitor services were deteriorating at most of the park units that GAO reviewed. Services were being cut back, and the condition of many trails, campgrounds, and other facilities was declining. Trends in resource management were less clear because most park managers lacked enough data to determine the overall condition of their parks' natural and cultural resources. In some cases, parks lacked an inventory of the resources under their protection. Two factors strongly affected the levels of visitor services and the management of park resources: (1) additional operating requirements placed on parks by laws and administrative requirements and (2) increased visitation, which drives up the parks' operating costs. These two factors have seriously eroded funding increases since the mid-1980s. The national park system is at a crossroads. Although the system continues to grow, conditions at the parks have been deteriorating and the dollar amount of the maintenance backlog has soared from

---

\$1.9 billion in 1988 to more than \$4 billion today. Congress is faced with the following difficult policy choices: (1) increasing the amount of financial resources going to the parks, (2) limiting or reducing the number of units in the park system, and (3) reducing the level of visitor services. The Park Service should be able to stretch available resources by operating more efficiently and by improving its financial management and performance measuring systems.

**Forest Service:  
Distribution of Timber Sales Receipts Fiscal Years 1992-94**

GAO/RCED-95-237FS, Sept. 8 (54 pages).

Over the years, the Forest Service's annual reports to Congress have indicated that receipts from the timber sales program exceeded the expense of preparing and administering the sales. However, these reports did not show the extent to which timber sales receipts were distributed to various Forest Service funds or accounts established for specific purposes, such as reforesting the land and making payments to the states in which the forests were located. GAO found that during fiscal years 1992-94, the Forest Service collected nearly \$3 billion in timber sales receipts and distributed about \$2.7 billion, or 90 percent, to various Forest Service funds or accounts for specific purposes. The Forest Service deposited the remaining receipts—about \$300 million—in the General Fund of the Treasury. Outlays for preparing and administering timbers sales totaled about \$1.3 billion for the same period.

---

**Science, Space, and  
Technology**

**Federal Research:  
Lessons Learned From the Pilot Technology Access Program**

GAO/RCED-95-212, Sept. 18 (62 pages).

The goal of the Pilot Technology Access Program is to establish special technology assistance centers to deliver counseling, training, and research assistance to small businesses. A March 1994 GAO report (GAO/RCED-94-75) discussed the program's implementation and progress during the first two years. Shortly after that report was issued, Congress decided not to fund the program beyond fiscal year 1995, its fourth year. This second and final report on the program discusses the status of the program centers during the fourth and final year of federal funding and also provides GAO's observations on lessons learned during the pilot. GAO

---

believes that these observations could be beneficial if Congress reconsiders such a program in the future.

---

## Social Services

### **Welfare to Work: Child Care Assistance Limited; Welfare Reform May Expand Needs**

GAO/HEHS-95-220, Sept. 21 (32 pages).

From 1991 through 1993, federal and state spending on child care subsidies to help welfare recipients work or go to school grew from about \$600 million to more than \$1 billion. As Congress and the states consider various approaches to restricting the length of time that mothers stay on welfare, questions have arisen about the child care needs that will arise as more and more welfare mothers participate in training activities or return to work. In particular, concerns have been raised about the capacity of states' child care resources to handle the rise in the number of children needing care under such proposals. This report examines (1) the extent to which child care needs of welfare recipients in an education program—the Job Opportunities and Basic Skills Training program—are being met, (2) whether any barriers exist to meeting the child care needs of program participants, (3) the effects of child care subsidies on former welfare recipients' progress toward self-sufficiency, and (4) the potential implications of welfare reform for child care availability and continuity.

### **Child Welfare: Complex Needs Strain Capacity to Provide Services**

GAO/HEHS-95-208, Sept. 26 (38 pages).

Between 1983 and 1993, sharp increases in the number of foster children combined with unprecedented service needs led to a crisis in foster care. Reports of child abuse and neglect nearly doubled, and foster care caseloads grew by two-thirds. Demands for child welfare services grew not only because the number of foster children increased but also because families and children were more troubled and had more complex needs than in the past. Large numbers of preschool-age foster children, for example, are at risk for health problems due to prenatal drug exposure. Meanwhile, resources for child welfare services failed to keep pace with the needs of troubled children and their parents. Although foster care funding has increased dramatically at all levels of government, federal funding for child welfare services has lagged. State and localities have

---

found it hard to meet the demand, despite the fact that they have more than tripled expenditures in some cases. As a result, states have adopted various measures to meet the needs of troubled children and their families while maintaining childrens' safety. Many states now offer family preservation services or place children with relatives to maintain family ties and save money. States are also increasingly considering the use of specialized foster homes for children with unique problems, including emotionally disturbed and medically fragile youngsters, to provide more family-like care at lower costs than institutions.

---

## Tax Policy and Administration

### **Tax Administration: Sole Proprietor Identification Numbers Can Be Improved**

GAO/GGD-95-160, Sept. 18 (23 pages).

Taxpayers are required to have identification numbers so that the Internal Revenue Service (IRS) can establish accounts for them and record transactions, such as the payment of taxes. Most taxpayers have only one identification number. However, persons who are self-employed (referred to as sole proprietors) are sometimes required to have two identification numbers—a Social Security Number for their individual income tax returns and an Employer Identification Number for their business returns. According to IRS, sole proprietors are among worst groups in terms of reporting all income. This report discusses whether IRS (1) accurately cross references the two identification numbers that self-employed persons report and (2) needs to take steps to improve the accuracy of its cross-reference files.

### **Tax Administration: Recurring Issues in Tax Disputes Over Business Expense Deductions**

GAO/GGD-95-232, Sept. 26 (23 pages).

Every year, the Internal Revenue Service (IRS) audits the tax returns of more than one million taxpayers and adjusts the tax liability of those who IRS believes did not comply with the provisions of the tax code. Taxpayers may challenge the proposed adjustments by filing a protest with IRS. This report discusses the issues that caused the most frequent disputes between IRS and taxpayers in connection with section 162 of the tax code, which allows taxpayers to deduct from income “ordinary and necessary”

---

expenses related to trade or business. GAO has previously reported that section 162 was the tax code section most commonly cited in large tax cases at IRS' Office of Appeals.

---

## Transportation

### **Niagara Falls Bridge Commission: Audit of Capital Development Efforts and Selected Financial Practices**

GAO/RCED-95-92, Sept. 7 (54 pages).

The Niagara Falls Bridge Commission owns and operates three of four international bridges across the Niagara River that link New York state and Ontario. The Commission's operations have never been independently reviewed by a government body. GAO and the New York State Office of the State Comptroller jointly reviewed the Commission's operations. This report addresses the Commission's (1) efforts to finance and administer its 30-year capital program and (2) internal controls used to ensure that its business affairs were appropriately conducted. This report also discusses the extent of authority for governmental oversight of the Commission.

### **Scenic Byways: States' Use of Geometric Design Standards**

GAO/RCED-95-243, Sept. 19 (20 pages).

Thirty-six states and two federal agencies have recognized 34,000 miles of roads as scenic byways—roadways that provide access to historic, cultural, recreational, and other resources. Many of these roads were built years ago, often to specifications that fall short of today's geometric design standards governing the physical layout of roads. In relying on current standards to improve or rebuild their scenic byways, state highway agencies could end up damaging the byway's scenic character because the standards emphasize mobility and safety rather than preservation. To help prevent such damage, Congress passed legislation giving state highway agencies the flexibility to use alternatives to the geometric design standards for improving and reconstructing scenic byways. This report discusses (1) what design standards states use or plan to use to improve and reconstruct roads in scenic areas and (2) what national design standards or guidance is available to states for improving and rebuilding such roads. In addition, GAO provides information on design approaches to

---

reconstructing one scenic byway—Rhode Island’s Ministerial Road—to illustrate the trade-offs involved in different design standards.

---

## Veterans Affairs

### **Veterans’ Benefits: Effective Interaction Needed Within VA to Address Appeals Backlog**

GAO/HEHS-95-190, Sept. 27 (53 pages).

Veterans often wait months for the Department of Veterans Affairs (VA) to decide their compensation and pension claims. In addition, the 40,000 veterans who appeal VA’s decisions each year wait much longer—more than two years for a final decision, according to agency officials. GAO found that VA’s appeals process is increasingly bogged down, and the outlook for the future is not bright. Legislation and court rulings have expanded veterans’ rights but have also expanded VA’s adjudication responsibilities. VA is having difficulty integrating these responsibilities into its already complex and unwieldy adjudication process. Since 1991, the number of appeals awaiting action by the Board of Veterans’ Appeals has risen by 175 percent and the average processing time has increased by more than 50 percent. Studies by GAO, VA, and others have recommended that the autonomous organizations in VA work together to identify and resolve problems. Yet GAO found that problems continue to go unidentified and unresolved. Unless VA clearly defines its adjudication responsibilities, it will be unable to determine whether it has the resources to meet those responsibilities and whether new solutions may be needed, including laws amending VA’s responsibilities or reconfiguring the agency.

---

## Special Publications

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

GAO/HEHS-95-261W, Sept. 1995 (40 pages).

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

---

### Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**Orders by mail:**

U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20884-6015

**or visit:**

Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

[info@www.gao.gov](mailto:info@www.gao.gov)

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Rate  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---

